

## **EXHIBIT 38**

# THE NEED FOR TRANSPARENT FINANCIAL ACCOUNTABILITY IN TERRITORIES' DISASTER RECOVERY EFFORTS

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## OVERSIGHT HEARING

BEFORE THE

COMMITTEE ON NATURAL RESOURCES  
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTEENTH CONGRESS

FIRST SESSION

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Tuesday, November 14, 2017

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## **OVERSIGHT HEARING ON THE NEED FOR TRANSPARENT FINANCIAL ACCOUNT- ABILITY IN TERRITORIES' DISASTER RECOVERY EFFORTS**

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**Tuesday, November 14, 2017  
U.S. House of Representatives  
Committee on Natural Resources  
Washington, DC**

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The Committee met, pursuant to call, at 2:10 p.m., in room 1324, Longworth House Office Building, Hon. Rob Bishop [Chairman of the Committee] presiding.

Present: Representatives Bishop, Young, Lamborn, Wittman, McClintonck, Thompson, Gosar, Labrador, Tipton, LaMalfa, Denham, Westerman, Graves, Hice, Radewagen, LaHood, Bergman, Johnson, González-Colón, Gianforte; Grijalva, Napolitano, Bordallo, Huffman, Beyer, Torres, Gallego, Hanabusa, Barragán, Soto, McEachin, and Clay.

Also Present: Representatives Serrano, Gutiérrez, Velázquez, Ruiz, and Plaskett.

The CHAIRMAN. Apparently the elevators are starting to work again. Some people have arrived here.

Let me call this Committee meeting to order. We are here to hear testimony on the need for transparent financial accountability and territories' disaster recovery efforts.

We are very pleased to have the two governors with us today. Let me do some busy work at the very beginning. I am going to ask unanimous consent for the following Members be allowed to sit on the dais with the Committee on Natural Resources and question the witnesses for no more than 5 minutes each, which shall include any time yielded to such Members from another Member on the Committee on Resources. That will include the gentlewoman from the Virgin Islands, Ms. Plaskett, the gentleman from Wisconsin, Mr. Duffy, the gentleman from Illinois, Mr. Gutiérrez, the gentleman from New York, Mr. Serrano, the gentlewoman from New York, Ms. Velázquez, the gentleman from California, Mr. Ruiz, and if those people are not here yet when they arrive they will take spots in the middle, and we will go from there.

I am asking UC for that. Hearing no objections it will be so ordered.

Under Committee Rule 4(f), the opening statements are designed for both the Chair and the Ranking Member. We are going to do this a little bit differently. We are going to forego our opening statements. Instead, I want to hear opening statements from Miss González first and then Ms. Plaskett. They will take that purpose of opening statements. My opening statement will be submitted for the record. I am assuming Mr. Grijalva is going to do the same thing.

Mr. GRIJALVA. Absolutely.

[The prepared statements of Mr. Bishop and Mr. Grijalva follow:]

PREPARED STATEMENT OF THE HON. ROB BISHOP, CHAIRMAN, COMMITTEE ON  
NATURAL RESOURCES

Good Morning, today the Committee will hear testimony from Governor Kenneth Mapp of the U.S. Virgin Islands and Governor Ricardo Rosselló of Puerto Rico.

Last week, the Committee received testimony from the Financial Oversight and Management Board of Puerto Rico created under the law commonly known as PROMESA. In that hearing, we examined the need for increased coordination and cooperation between the Puerto Rican government, the Oversight Board and all Federal partners now operating within the territory on response, recovery, and rebuilding.

The situation in both territories remains overwhelming and urgent. There is no need to remind anyone of the current challenges our fellow Americans are facing to meet basic human needs. Even today, power, access to clean drinking water, food, gasoline for transportation, and fuel for other basic needs are all monumental tasks for many Puerto Ricans and U.S. Virgin Islanders.

Fortunately, we have faith that through the continued hard work of all those helping with recovery efforts at FEMA, the Army Corps, the U.S. National Guard and all local agencies within the territorial governments, that conditions are moving forward and a sense of normalcy will return to these American islands. It is the question of how we improve emergency response, but also rebuild for the long term that brings us here today.

With the case of Puerto Rico, there are serious concerns from members of the Committee, and Congress broadly, with the ability and capacity of the current local government to adequately manage the massive amounts of Federal aid dollars that have begun to flow down to the island. The inexplicable contract processes of the Puerto Rico Electric Power Authority (PREPA) and the inability of local managers to reasonably account for previously allocated recovery funds has created a significant trust deficit that endangers the islands' future funding requests. The purpose today is not solely to litigate the past. We don't want to focus on looking backwards. But we must adequately understand what happened in order to chart a responsible path forward.

The questions we have for our witnesses today will center around how we can best ensure that proper oversight mechanisms are in place at all levels in order to coordinate these efforts on the ground and ensure expedient recovery and rebuilding going forward. This is especially challenging given the pre-existing financial and debt crises facing both territories.

Improved coordination and cooperation and the transparent and accountable expenditures of taxpayer dollars are goals all parties working in Puerto Rico and the U.S. Virgin Islands can aspire to achieve. We hope to draw out how best to accomplish this as we hear from our witnesses.

We owe our fellow citizens living in these islands, and all taxpayers investing hard earned money in recovery, the answers to these questions. All of us, both here in Congress and democratically elected at the territorial level, must put aside politics in order to get down to real solutions.

Last, before I yield to the Ranking Member, Mr. Grijalva, for any opening statement he would like to make, I would like to commend the efforts of both the Congresswoman from the U.S. Virgin Islands, Ms. Plaskett, and the Congresswoman from Puerto Rico, Ms. Gonzalez-Colón, for their efforts here in Congress. They both have been working tirelessly throughout this entire time since Day 1 when these hurricanes broke over their shores, and I know they will continue to push for the best solutions we can create here at the Federal level to address this enormous challenge.

PREPARED STATEMENT OF THE HON. RAÚL M. GRIJALVA, RANKING MEMBER,  
COMMITTEE ON NATURAL RESOURCES

I want to welcome and thank our witnesses; the governors of Puerto Rico and the U.S. Virgin Islands. I know that even though you are here, you are eager to get back home to assist your constituents. I am grateful for your time.

Last week's hearing on Puerto Rico should have been about meeting the most basic needs of the island's residents after the hurricanes. Instead, it was an attempt to use the hurricanes to weaken environmental and health safeguards and impose greater restrictions on the elected leaders of the territory.

Today, the Majority will double down. Not only will they try, once again, to make the case that the Puerto Rico Oversight Board's powers need to be expanded, but that the Federal Government should have additional oversight powers over the Virgin Islands.

Meanwhile, nearly 2 months after the hurricanes, we keep reading headlines like, "Puerto Rico's Most Vulnerable Are Still Waiting for Help 7 Weeks After Maria." Or, "Weeks After Hurricane Maria, U.S. Virgin Islands Still Plagued by Food Shortages and Power Outages." And, "Puerto Ricans Face Rain and Floods in Wrecked Homes Still Without Roofs."

Even though FEMA has provided 65,000 tarps to Puerto Rican local authorities to distribute and has 100,000 more in a warehouse, many Puerto Ricans are still without shelter because the government's estimate is about 250,000 homes on the island suffered complete or partial damages.

Similarly, residents of the Virgin Islands continue dealing with the destruction that caused damage to most of the homes and structures on the islands. Today, only about a third of the electricity there has been restored and losses to key components of their tourism industry are estimated at above a billion dollars.

I don't think it's too much to ask to make sure Americans are safe before trying to expand Federal power over them. In the past, recovery has come first.

I don't recall repeated calls for "financial accountability" after the disasters in New Orleans or New York and New Jersey before making sure those areas received the support they needed. We didn't ask Houston or Florida how much debt they owed before providing their residents with sufficient food and shelter and the resources needed to rebuild their communities.

The silence by my Republican colleagues about the performance of the President and his Administration in Puerto Rico and the Virgin Islands is an endorsement of it. The reprehensible leadership of President Trump in these recovery efforts—and the failure of our colleagues to call him out on it—stand out.

To be clear, I think we need transparency and financial accountability with disaster assistance funding. Emergency spending can lead to waste, and we need to be vigilant. Puerto Rico is no exception. In fact, I teamed up with Ranking Member DeFazio to request an investigation of the Whitefish and Cobra contracts with PREPA. But there are already mechanisms in law to provide Federal oversight. The Inspectors General for FEMA, HUD, or the Army Corps have the tools to make sure disaster assistance funding is spent in accordance with the law.

So, let's stop blaming the victims. Let's do the oversight on the recovery spending that needs to be done as soon as we have done the oversight to make sure the basic needs of American citizens have been met.

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The CHAIRMAN. Our Committee Rules state that anyone else who has an opening statement can have it added to the record if you get it to the Clerk by 5:00 p.m. tonight, which is the end of the business day. Hearing no objections, that is the way we will work that.

We are doing things in a little bit different fashion, but this is a specific situation, and it is quite differently a unique situation. Two historic hurricanes have hit back-to-back and have caused a historic situation. We need to deal with it in a slightly different pattern than we have before.

I appreciate you being here. I appreciate our witnesses for coming here and working with us and being willing to testify. And we will go in that particular order, so Miss González, if you are prepared, we would like you to do the first statement for 5

minutes. I will say one other thing. I will be anal about the time limits here. We have a whole lot of people who want to ask a lot of questions. When 5 minutes hits, I am going cut you off, so if you are in the middle of talking and answer in 5 minutes, I will cut you off, too. Be kind to our witnesses and don't give them 13 seconds to respond to your last question, and we will deal with that, so 5 minutes.

Miss González. You are warned, 5 minutes. Go for it.

**STATEMENT OF THE HON. JENNIFER GONZÁLEZ-COLÓN, A  
RESIDENT COMMISSIONER IN CONGRESS FROM THE  
TERRITORY OF PUERTO RICO**

Miss GONZÁLEZ-COLÓN. Thank you, Mr. Chairman, and thank you for yielding, but more importantly, for your leadership and unwavering support for the people of Puerto Rico before and after Hurricanes Irma and Maria struck our islands.

I also want to thank and take the opportunity to welcome Governor Ricardo Rosselló and Governor Kenneth Mapp for their presence here, who have worked tirelessly for the last month and a half in an effort to bring some sense of normalcy to the lives of our people after the unprecedented disaster inflicted by these storms.

Mr. Chairman, this is an important hearing for the people of Puerto Rico and I know for the Virgin Islands, too. The help Puerto Rico has received to date from Congress and the Administration has made a huge difference, and I know my people are grateful for this. But there is much more left to do, in both the short- and the long-term solutions in recovery and reconstruction of both islands.

And it is fair that taxpayers will want to know that the process is being managed transparently and responsibly, with the primary vision of helping Americans that live both in Puerto Rico and the Virgin Islands rebuild their lives and get back up on their feet. With this hearing, what we want to know is how we can make that possible for both islands and the resources that we need to actually get that done.

I don't need to repeat the extent of the damages. Members of this Committee on both sides of the aisle have been visiting the islands in the last month. They traveled here and they know the human tragedy that is unfolding in Puerto Rico and the U.S. Virgin Islands. Governor Rosselló has informed that the recovery will require at least \$95 billion just in the case of Puerto Rico, and this is just a preliminary, very conservative estimate.

Furthermore, we must keep in mind that this is happening in an economy that even before the disaster was in disarray and barely beginning to get back up, with a local government that had to seek the help of the tools under PROMESA.

It has been mentioned that much of the damage we were facing is the result of an inferior level of infrastructure, construction, and maintenance. While this could be true in some cases, it must be noted that such is the necessary result of budgetary and funding limitations imposed upon the territories.

Differential treatment in programs or funding, outright exclusion in some cases, be it by law or regulation, result in territories being forced to do the best they can with the extremely limited resources

available because their political status limits their access to Federal grants and credit backing or simply the money that is needed to match Federal funds. This also goes to the disparity in funding for health care, which in turn is compounded by the current situation. Many more people will need publicly supported health care and counseling in the face of this situation, and will be driven to move away from the island to obtain that care. These equalities need to be addressed by our Nation as Americans.

Which leads me to my last point, the disaster inflicted by Irma and Maria present the Congress with a historic opportunity to reassess the way that public policy is dictated toward millions of its own citizens. The fact that Puerto Rico has become the poster child for underdevelopment under the U.S. flag should come as no surprise, as any political or economic model founded on the basis of perpetual civil disenfranchisement and inequality is doomed to fail miserably.

We should not expect Puerto Rico to have a first-class economy when we treat Puerto Ricans as second-class citizens. Is this the Puerto Rico we want to go back to? I don't think so. Are we just going to pour billions of dollars into rebuilding the island's infrastructure, but continue with the dysfunctional territorial political economic model that President Ronald Reagan once characterized as "historically unnatural." And that is the root of the problem.

Today, we will hear from the governors on their plans, projections, and how they have carried this burden for the last 7 weeks. I look forward to hearing their vision, not only for an effective recovery process, but perhaps more importantly, the future of both territories. And, I think, having less than 50 percent of the island without power and 10 percent of the island without running water, we still face a lot of challenges. I thank the leadership of both governors for their effort in leading the people of the Virgin Islands and Puerto Rico. With that, Chairman, I yield back.

[The prepared statement of Miss González-Colón follows:]

PREPARED STATEMENT OF THE HON. JENNIFER GONZÁLEZ-COLÓN, A RESIDENT COMMISSIONER IN CONGRESS FROM THE TERRITORY OF PUERTO RICO

Thank you Chairman Bishop for yielding, but more importantly, for your leadership and unwavering support of the people of Puerto Rico before and after Hurricanes Irma and Maria struck our islands. I also want to take the opportunity to welcome Governors Rosselló and Mapp, who have worked tirelessly for the last month and a half in an effort to bring some sense of normalcy to the lives of our people after the unprecedented disaster inflicted by the storms.

Mr. Chairman, this is an important hearing. The help Puerto Rico has received to date from Congress and the Administration has made a huge difference, and my people are grateful for this. But there is much more left to do, in both the short- and the long-term recovery and reconstruction of the islands.

And it is fair that taxpayers would want to know, that the process is being managed transparently and responsibly, with the primary vision of helping the Americans that live both in Puerto Rico and the U.S. Virgin Islands rebuild their lives, and get back up on their feet. **This is a hearing in which we want to see how can we make that possible** in an efficient and transparent manner.

I do not need to repeat the extent of damages. Members of this Committee, including Chairman Bishop, traveled to the islands and witnessed the human tragedy unfolding in Puerto Rico and the U.S. Virgin Islands. Governor Rosselló has informed that the recovery will require at least \$95 billion, and this is just a preliminary, yet very conservative estimate. Furthermore, we must keep in mind that this is happening in an economy that even before the disaster was in disarray and barely beginning to get back up, with a local government that had to seek the help of the tools under PROMESA.

In Puerto Rico, as of yesterday, we still had 54 percent of customers without electricity; 10 percent without running water; 14 of 67 hospitals open, still were running on power generators; only 8,135 emergency “blue roofs” have been installed out of 40,658 approved; over 2,000 people were still in shelters; only about half the road miles are fully cleared. There is so much work to be done.

We are barely beginning to get over the paralyzed economy that Hurricane Maria left us with. Without electricity, manufacturing has come to a stop—that’s over 30 percent of our economy. During the time our manufacturing plants were unable to produce, this had an impact to the entire nation: Puerto Rico plants produce 10 percent of the United States’ pharmaceutical and medical device needs, a \$15-billion market, and shortages were a real threat.

What Puerto Rico needs is **to get people and businesses back to work, or there will be no lasting recovery.**

It has been mentioned that much of the damage we are facing in Puerto Rico is the result of an inferior level of infrastructure, construction, and maintenance. While this could be true in some cases, it must be noted that such is the necessary result of budgetary and funding limitations imposed upon the territories. Differential treatment in programs or funding, outright exclusion in some cases, be it by law or regulation, results in territories being forced to do the best they can with its extremely limited resources available, because their political status limits their access to Federal grants and credit backing or simply the money that is needed to match Federal funds. This also goes to the disparity in funding for health care, which in turn is compounded by the current situation: many more people will need publicly-supported health care and counseling in the face of this situation and will be driven to move away from the island to obtain care. These inequalities need to be addressed by our Nation as Americans.

Which leads me to my last point: the disaster inflicted by Irma and Maria has presented Congress with the historic opportunity to reassess the way that public policy is dictated toward millions of its own citizens. The fact that Puerto Rico has become the poster child for underdevelopment under the U.S. flag, should come as no surprise, as any political or economic model founded on the basis of perpetual civic disenfranchisement and inequality is doomed to fail miserably. We should not expect Puerto Rico to have a first class economy when we treat Puerto Ricans as second class citizens. Is this the Puerto Rico we want to go back to? Are we just going to pour billions of dollars to rebuild the island’s infrastructure but continue with the dysfunctional territorial political-economic model that President Ronald Reagan once characterized as “historically unnatural” and is the root of its problems?

We will hear today from the governors on their plans, projections, and how they have carried this burden in the last 7 weeks. I look forward to hearing their vision, not only for an effective recovery process, but perhaps more importantly, the future of our territories.

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The CHAIRMAN. Thank you. You kept within the 5-minute limit, as well. I will also make one other apology. I promised to have that clock working by now. It isn’t, and we are going to go until votes are called, so that may cut things short here, but we are going to get in as much as we possibly can. With that, Ms. Plaskett, thank you for being here with us on our Committee. You are recognized for 5 minutes.

**STATEMENT OF THE HON. STACEY PLASKETT, A DELEGATE IN CONGRESS FROM THE VIRGIN ISLANDS**

Ms. PLASKETT. Thank you, Mr. Chairman, and thank you Ranking Member for the opportunity to testify and give this statement on behalf of the people of the Virgin Islands.

I want to, of course, welcome Governor Rosselló and, of course, welcome our governor, my governor, Governor Kenneth Mapp of the U.S. Virgin Islands.

You all know about the hurricanes that have struck the U.S. Virgin Islands, we have been struck by two Category 5 hurricanes.

And the story of our recovery is the story of a resilient people. That is the story that I think you should hear, first of all, that when these Category 5 hurricanes hit us, leaving us with all of our hospitals destroyed, all of our hospital systems destroyed, up until several weeks ago the people on St. John had zero power in place. With us having less than 30 percent power in the Virgin Islands right now, the people of the Virgin Islands are still strong. We are still resilient. We are ready to roll up our sleeves and do what is necessary to make things happen. We do that because we are great people. We are Americans, and that is what Americans do. They get the job done.

And we are expecting that from the Federal Government, as well, because we are American citizens. We are expecting your support because that is what Americans do for one another. We are grateful for the first responders that were there in the initial weeks to bring us to begin the recovery of our Virgin Islands. FEMA has been outstanding in the support they have given us. Have they done everything that we have requested and supported us in every way that I would like? No, they have not. Are we looking for more and expecting more from them? Yes. But more importantly, it is my job to expect Congress to do what Congress is supposed to do. Under the Constitution, this Congress has the responsibility of the territories. And until that changes, whether we be states or otherwise, it is this body's responsibility to care and protect the territories that you deem still willing to have as territories. So, I will hold you to that responsibility.

As you have seen the recovery that we are doing, there are things that we still need. There are still categories under the disaster recovery that we have not received as yet. Under Hurricane Katrina, the people of Louisiana were given 100 percent for Medicaid to support them for several years. The Virgin Islands and Puerto Rico have matches in Medicaid funding that only matches the richest states in this country. It is set as an arbitrary 45 percent that we have to pay while the closest in demographic to us in terms of our economy only has to pay less than 20 percent for Medicaid.

This has left our infrastructure vulnerable. For many years we have attempted to change our FMAP, the amount of money that we receive. Additionally, our hospitals have been petitioning CMS to be able to change the rebasing for which they are reimbursed for Medicaid. Since the 1980s they have been requesting this.

This has left our infrastructure vulnerable. Our schools, as well as the Department of the Interior, have not received the funding that they have requested from this body to maintain our infrastructure within our schools. We have lost nine schools in this hurricane, much of it due to weakening infrastructure, not because of poor building codes in the Virgin Islands. I would challenge any of you to be hit by two Category 5 hurricanes within 2 weeks back-to-back hitting directly and see your infrastructure standing at the level that ours has. We have tried desperately with very little funding to be able to meet the infrastructure needs of our people. Our hospitals have had to defer maintenance over those many years to treat those individuals under unfunded liabilities that we have. We do not receive the proportionate share for hospitals that any other

location in the United States that has the demographics that we have would receive, and, therefore, our hospitals have not done what is necessary in some instances for infrastructure because what they have done is taking care of people.

So, I am asking this Congress as well to do what is necessary to take care of its people. Our governor has requested support from this body from the President, and I would ask unanimous consent to submit into the record two letters that were written by our governor, the first on August 15 of this year to the U.S. Government Accounting Office explaining each one of the discrepancies in funding that we received and the second on November 8 to the Honorable Donald J. Trump, President of the United States about the needs of the territory.

The CHAIRMAN. Done.

Ms. PLASKETT. I am not going to take up much of the time because I believe that our governor has much that he can share with you all. The questions that you all will pose to him I think will enlighten you as to the needs of the territory. I would just ask that this Congress take its responsibility seriously and do what is necessary to support the territories.

The CHAIRMAN. Thank you. All right. Now we will move on to our witnesses. We appreciate both governors being here. We realize you have had a long day so far. You have already been testifying in front of the Senate. That was your warm-up act. You now know what it is like to play in the minor leagues over there, now you are in the big show. This is the real stuff.

So, Governor Rosselló, thank you for being here from Puerto Rico. Governor Mapp, thank you for being here from the Virgin Islands.

We are going to first hear from the Honorable Kenneth Mapp, and once again the same issue that I had before, we have a lot of stuff to cover here, 5 minutes for the opening statement. Everything else you have in writing will be put in the record. Watch the monitor in front of you. That tells you how much time you have left, and I will be hitting the gavel at the 5-minute mark, the zero mark with you guys. So, Governor Mapp, please.

**STATEMENT OF THE HONORABLE KENNETH MAPP,  
GOVERNOR OF THE U.S. VIRGIN ISLANDS, CHARLOTTE  
AMALIE, ST. THOMAS**

Governor MAPP. Thank you. Good afternoon, Chairman Bishop, Ranking Member Grijalva, our own Delegate to Congress Stacy Plaskett, and members of the Committee. Thank you for the opportunity to appear before you to discuss the catastrophic damages suffered by the U.S. Virgin Islands under Hurricanes Irma and Maria, two Category 5 hurricanes in 12 days.

I know of no government on earth that responds to the needs of its citizens better after disaster than the United States of America. Is this response perfect? No. But neither is the prediction of the outcome of an actual disaster. To our country, our fellow American citizens, and our national government, the people of the U.S. Virgin Islands want to express, and we do express, our gratitude.

The storms brought 185 mph winds and tore through the Virgin Islands. Nine of our schools are gone. Two of our main hospitals

and related health facilities, gone. Fire stations, gone. Police stations, disappeared. They are so badly damaged that we had to condemn them. Our airports and many of our government offices are damaged and in some respects unusable.

More than 15,000 homes were damaged, destroyed, and virtually left its occupants, up to this day, in homes without roofs and without proper shelter. Under the rains, families are sheltering in one bedroom with tarpaulin. When the rain comes in there is water all over the house. I have residents sleeping in cars.

The severe damage was so challenging that the situation just becomes worse as we try to get through the reality of the continuing deluge of water. FEMA and our Federal responders have been great partners. They have responded to the saving of lives and protecting our residents and ensuring that they have the necessities in a very good way. The physical destruction of our economy has brought it to a halt. Few businesses are operating, and some have reopened. Many of our private sector employees have yet to return to work.

The damages to our main industry, tourism, is about \$1.7 billion over the next 3 years, and damages to private sector businesses about \$900 million. Our recovery from these hurricanes will take time, and we estimate that the uninsured hurricane-related damages to the public sector is \$7.5 billion. I have requested that amount in Federal disaster assistance from the President of the United States.

Virgin Islanders are indeed resilient, and we take full responsibility for our recovery. While we are optimistic that power will be restored fully or 90 percent by Christmas, as of today, less than 30 percent of the population has power. The hurricanes, as I said, completely devastated our healthcare infrastructure, destroying our hospitals.

Today, critical care in the Virgin Islands is unavailable. Critical care patients and those requiring dialysis are flown to the U.S. mainland Florida, Texas, and Atlanta. Helping the U.S. Virgin Islands recover will also require a serious look at our healthcare system as it relates to Federal law and policies.

Healthcare funding in the Virgin Islands was under great stress before the hurricanes. Unequal Federal Medicaid funding, primarily due to arbitrary low Federal matching rate, has imposed a severe hardship on our government. We were given a \$300 million allotment under the ACA for Medicaid 7, 8 years ago. As of today, \$226 million remain unspent because of the local government's inability to meet the match. I am asking that the Congress waive the Virgin Islands' match for Medicaid over the next 3 years and out of that \$226 million we will be able to cover many of the residents of the Virgin Islands who require Medicaid, meaning no new dollars are needed from the Treasury.

I would like to say, Mr. Chairman, that we know that Federal relief funds are extremely precious resources, and we are asking you and the Members of Congress for your support. Our citizens, American citizens, have suffered terrible losses, dislocation, and distress in the wake of these storms. Our recovery will be long and difficult. Virgin Islanders understand and accept our responsibility. We cannot squander this opportunity to rebuild a better, stronger,

and more resilient Virgin Islands simply to rebuild quickly. If we do, we will only compound the suffering that so many of our citizens have endured.

We ask for your support that this rebuilding will take place appropriately.

[The prepared statement of Governor Mapp follows:]

PREPARED STATEMENT OF GOVERNOR KENNETH E. MAPP OF THE UNITED STATES  
VIRGIN ISLANDS

Good afternoon Chairman Bishop, Ranking Member Grijalva, and members of the Committee. Thank you for the opportunity to appear before you today to discuss the catastrophic damage that the United States Virgin Islands suffered from Hurricanes Irma and Maria—two Category 5 storms that pummeled our Islands with devastating force just 12 days apart.

But first and foremost, on behalf of the more than 100,000 resilient Americans living in the U.S. Virgin Islands, let me convey our heartfelt gratitude and appreciation for the concern so many fellow Americans have shown us during this difficult time. From the great leadership and support of President Trump to your Committee, and the many Members of the House and Senate who came to see the devastation firsthand to better understand the conditions we are living in, we thank you. We also thank FEMA for its unwavering support of our ongoing critical needs in the Virgin Islands. I specifically wish to thank FEMA's Administrator William "Brock" Long and our guy on the ground, Federal Coordinating Officer William "Bill" Vogel, affectionately known in the V.I. as "Big Bill."

I know of no government on Earth which responds to the needs of its citizens better after a disaster than the United States of America. Is the response always perfect? No. But neither is the prediction of the outcome of a natural disaster. To our country, to our fellow citizens, to our national government—the people of the U.S. Virgin Islands say: thank you.

Of course, I didn't travel here today to express *only* gratitude. I came before you to personally ask for your help in recovering.

**The damage . . .**

These storms brought 185 mph winds that ripped leaves from the trees, pulling up century-old trees by their roots and turning our green hillsides nearly black. Power lines were strewn across our roads; utility poles snapped in half like matchsticks; and 400 boats were sunk in our harbors. Nine (9) schools, our two main hospitals and related healthcare facilities, fire stations and police stations were so badly damaged that they had to be condemned.

Our airports and many of our government offices are also unusable and that has drastically impacted the delivery of vital government services.

Simple things we normally take for granted—running water, cell phone service, electricity, a hot meal—remain unavailable to many of our citizens. More than 15,000 homes were damaged or destroyed, and virtually all of our power distribution infrastructure was wiped out. Power remains limited, with power connection across the Virgin Islands at a mere 27 percent as I speak.

On the island of St. John, our residents only started seeing power for the first time last week—6 weeks after Irma hit. Can you imagine a community here on the mainland going without power for 6 weeks?

As severe as the damage was, and as challenging as the recovery has been, the situation would have been much worse if not for the dedication and hard work of, and coordination among, our territorial agencies and our Federal partners. FEMA and other Federal responders have done an excellent job. And we have done our part. For example, we were well prepared and positioned for the hurricane season. Our Territorial Emergency Management Agency (VITEMA) coordinates with our Federal partners *before* every hurricane season. And *before* the start of each hurricane season, our publicly-owned power utility contractually secures the assistance of mainland electrical utilities to be ready in the event of a natural disaster. As a result, the Virgin Islands did not need to negotiate such contracts in the exigent circumstances immediately following the storms this season.

**The economic damage . . .**

In addition to the physical destruction, our economy has ground to a near halt. Few businesses are operating, and those that have reopened have reopened with significantly reduced services. Many private sector workers have not returned to work. Damage to our economy of this magnitude has created unsustainable cash shortfalls

that we will experience now and into the future. We have estimated that the economic losses to our key industries, including tourism, stand at more than \$1.7 billion over the next 3 years. Damages to commercial facilities stand at nearly \$900 million.

Our recovery from these hurricanes will take time, and it begins with a full understanding of the damage caused. We estimate uninsured hurricane-related damages to exceed \$7.5 billion.

I have requested that amount in Federal disaster assistance to enable us to address our most essential needs in order to return to normalcy.

**Building back better . . .**

Virgin Islanders are resilient but we must do more to make our Islands resilient. Unless you want to see me back here after another major hurricane devastates America's Paradise, we must build it back stronger and more sustainable than before. We must build back stronger and more resilient to protect our citizens and protect the investments of our national government. This is what I am requesting from you.

Consider our power distribution network which Irma and Maria destroyed: While we are optimistic that power will be nearly fully restored by Christmas, this will be the fifth time the Federal Government is paying to rebuild the power distribution system in the U.S. Virgin Islands.

We're already taking basic steps to improve the resilience of the grid as we build it back, using things like composite poles that can better withstand hurricane force winds, but we must go further. With your help, we plan to bury power lines on the primary and secondary road systems throughout the Virgin Islands and invest in a microgrid system that will add renewable generation capacity—things like solar and wind energy—to the system.

**Building back healthcare . . .**

It's not just power lines we need to approach differently. Irma and Maria completely devastated our critical healthcare infrastructure, destroying our two main hospitals and affiliated healthcare facilities.

Today critical care is unavailable in the Virgin Islands. Let me say that again—critical care is unavailable in the Virgin Islands. Critical patients and persons requiring dialysis must be flown to the U.S. mainland for care. That used to be as close as Puerto Rico, but now that our neighbor has also been impacted by Hurricane Maria, our patients must be flown to Atlanta, Texas, and Florida. The recovery funds we're seeking will help rebuild these two main hospitals on St. Thomas and St. Croix and a healthcare facility on St. John.

Helping the U.S. Virgin Islands recover will also require a serious look at our healthcare system as this relates to Federal law and policies. Healthcare funding in the Virgin Islands was under great stress even before the two hurricanes. Unequal Federal Medicaid funding, primarily due to an arbitrarily low Federal matching rate, has imposed a severe hardship on the government's finances. The Virgin Islands is also fiscally disadvantaged because the Centers for Medicare and Medicaid Services uses decades-old benchmarks and methodologies for reimbursing our publicly-owned hospitals under Medicare, as well as unrealistic benchmarks under Medicaid. These shortfalls in Federal healthcare funding have adversely affected the quality of healthcare in the Islands and have required our government to borrow money to cover a significant portion of the gaps.

**Rebuilding a future for our children . . .**

Hurricanes Irma and Maria impacted the most vulnerable in the Territory: our children. Nine (9) public schools were destroyed and condemned: seven (7) schools in the St. Croix District: (1) Lew Muckel Elementary School, (2) Pearl B. Larsen Elementary School, (3) Eulalie Rivera Elementary School, (4) Arthur A. Richards Elementary School, (5) Elena Christian Elementary School, (6) John Woodson Jr. High School, and (7) Alexander Henderson Elementary School; and two (2) schools in the St. Thomas/St. John District: (1) Addelita Cancryn Junior High School and (2) E. Benjamin Oliver Elementary School. The only public school on St. John was severely damaged as well. Additionally, school gymnasiums and the Curriculum Center in St. Thomas were also destroyed.

All aspects of our public school system have been impacted to include the loss of school buses, total decimation of the agriculture program, aquaponics labs, the poultry farm, and all school gardens. In addition, our children are without musical instruments, athletic equipment, and home libraries that we were actively promoting through our literacy initiatives.

The schools have lost literally hundreds of computers, smart boards, and other technology-centered materials that requires rebuilding of the infrastructure of the IT system to facilitate connectivity and reliability.

We've managed to open enough schools to continue teaching our children, but most are learning in difficult conditions or have to endure long commutes. Given our smaller school population, we plan to consolidate and build six new resilient schools to include one in St. John, two in St. Thomas, and three in St. Croix. This will allow us an opportunity to include pre-school centers in our schools and an opportunity to expand our vocational training programs to drive workforce development to diversify our economy. Our founding fathers insured that all U.S. citizens must receive a free and appropriate public education, and the Virgin Islands Department of Education will be a major contributor to the restoration and rebirth of the Territory.

Regarding public safety—we lost two fire stations, a police station, and our Emergency Operation Center for disasters on St. Croix. The campuses of the University of the Virgin Islands were heavily damaged on both islands, and they require extensive repairs.

So many of our critical facilities must be built back stronger and more resilient than before, and I have convened an advisory board with representatives across multiple disciplines to drive our rebuilding efforts. Rebuilding stronger and smarter will also ensure the most cost-effective use of precious Federal recovery funds because it will prepare us to better withstand the hurricanes that are certain to come in the future.

**But first, shelter . . .**

While we are appreciative of the FEMA Blue Roof Program, this mainly protects homes from further damage. However, this program does not create a suitable housing situation in the midterm, particularly during the heavy rains we have continued to experience. While FEMA traditionally relies upon the Rental Assistance Program to displace persons, there are very few homes and apartments available to rent in the U.S. Virgin Islands. Even though FEMA has authorized the Transitional Shelter Assistance Program for the Virgin Islands to allow people to stay in hotels, there are too few participating hotels because so many were damaged or are housing recovery and response workers.

I have asked FEMA to immediately authorize the Sheltering and Temporary Essential Power (STEP)/Rapid Repairs Program at an average cost of \$50,000 across all homes territory-wide, instead of the \$20,000 cap for each home in the current FEMA-approved STEP policy for the Virgin Islands. While \$20,000 may be adequate on the mainland, in the Virgin Islands this amount is not sufficient. In the Blue Roof Program, FEMA provides an average of \$25,000 just to put a tarp on a breached home, so how could it be conceivable that an entire home can be repaired and a habitable shelter created for \$5,000 less? We are ready to implement the program as soon as FEMA removes this cap and completes a few other simple program modifications that we have requested.

For longer term and permanent housing solutions, we will need nearly \$2 billion under FEMA's Permanent Housing Construction Authority, from HUD's Community Development Block Grant Disaster Recovery Program and from FEMA's Public Assistance Program for public housing, to enable all Virgin Islands families to return to safe, sanitary, and resilient permanent homes as soon as possible.

Mr. Chairman, we know that Federal relief funds are an extremely precious resource provided through the generosity of our fellow Americans. Be assured, my administration is committed to ensuring that we are fully complying with all applicable requirements, and that we are carrying out our recovery in the most efficient, cost-effective, and responsible manner possible.

Our citizens—American citizens—have suffered terrible losses, dislocation, and distress in the wake of these storms. Our recovery will be long and difficult. Virgin Islanders understand and accept our responsibility for being in front of rebuilding our communities, but we cannot do it alone. We cannot squander this opportunity to rebuild a better, stronger, and more resilient Virgin Islands simply to rebuild quickly. If we do, we will only compound the suffering that so many of our citizens have endured. With your support, that won't happen.

Thank you for listening and for supporting your fellow Americans in the U.S. Virgin Islands.

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*Legislative Recommendations*

(1) We must build our energy transmission and distribution systems to be stronger and more resilient than what existed before the hurricanes. To eliminate any doubt that Federal Stafford Act funds can be used to not only restore these systems, but also to make them stronger and more resilient, we urge your support for amendments to the Stafford Act that will specifically authorize Federal funding for such purposes.

(2) Because of the extreme and extensive damage to the Territory's infrastructure caused by the hurricanes, and the resulting stress to the Territory's finances, the government of the Virgin Islands cannot continue to shoulder the current burden of the local matching requirement for Medicaid funding, which we estimate to be \$64 million in Fiscal Year 2018 and an additional \$50 million in Fiscal Year 2019. The Virgin Islands government respectfully requests that the Medicaid provisions of the Social Security Act be amended to provide for a *temporary* disaster-relief increase in the Territory's FMAP to 100 percent (from 55 percent) through September 30, 2020. There is ample precedent for an increase in a jurisdiction's FMAP in response to disasters or for other reasons. For the period after September 30, 2020, the government respectfully requests that our FMAP be calculated like that of every other state (consistent with the recommendations of the bipartisan Congressional Task Force on Puerto Rico) or, at least, a 70 percent FMAP (the same as for the District of Columbia).

(3) We are experiencing—as a result of the hurricanes—a significant increase in demand for Medicaid services, an increase in our Medicaid-eligible population, as well as increased demands for reimbursement from states providing services to displaced Virgin Islands residents. All of these factors will substantially increase our Medicaid costs, which will accelerate the rate at which Federal Medicaid funds are accessed. Consequently, as a result of the hurricanes, there may be little or no ACA Medicaid allotment remaining as of September 30, 2019 unless Congress acts. I therefore respectfully request that Congress address the “fiscal cliff” by eliminating the cap on Territorial Medicaid reimbursements, or at least providing annual allotments of at least \$80 million beyond September 30, 2019.

(4) We are also asking that Congress eliminate the “cap” on the rate of Federal rum excise taxes returned to the Virgin Islands (the “Cover-Over Rate”), as recommended in the December 20, 2016 Final Report of the bipartisan Congressional Task Force on Puerto Rico, and/or at least extend the temporary rum tax cover-over rate enacted by Congress in 1999 (the “Temporary Cover-Over Rate”) and regularly extended by Congress thereafter. Extension of the Temporary Cover-Over Rate, which expired on December 31, 2016, is a major source of funding for the government of the Virgin Islands. It is critical that Congress act quickly to eliminate the cap, or extend the Temporary Cover-Over Rate, on a retroactive basis to ensure that the Territory has the resources necessary to help fund its recovery from the destruction of Hurricane Irma and Hurricane Maria. Delay in congressional action would risk reduction or loss of these urgently needed funds.

(5) Any long-term recovery plan also requires as its core the need to spur and sustain economic growth. Federal tax policy plays a critical role in creating the investment climate to generate sustainable economic growth in the Virgin Islands and help the Territory create jobs and improve its long-term fiscal health. It is my fervent hope that in its tax reform proposals Congress will consider the unique status and circumstances of U.S. territories. The Virgin Islands is considered a foreign jurisdiction and not part of the United States under the Internal Revenue Code, even though Virgin Islanders are U.S. citizens, and Virgin Islands businesses are U.S. businesses. Further, the Virgin Islands’ (and Guam’s) income tax system is based on a “mirror system” of taxation, in which the Internal Revenue Code is used as the Territory’s Internal Revenue Code (commonly known as the “Mirror Code”). As a result, any change to the U.S. Internal Revenue Code would automatically impact the Mirror Code Territories, which raises both technical and revenue issues.

Fundamentally, the territories, as part of the United States, should always be treated more favorably than foreign jurisdictions under Federal tax law. Unfortunately, that is not always the case. Indeed, as a result of unduly harsh provisions in the JOBS Act of 2004, the territories are in many ways treated worse than foreign jurisdictions. In particular, the (effectively connected) income sourcing rules imposed by the JOBS Act have unfairly restricted our Economic Development Commission (“EDC”) program and inhibited our ability to grow our economy, particularly in the increasingly important knowledge-based and financial services sectors.

We have been working with the U.S. Treasury to “re-balance” the overly restrictive JOBS Act rules by making modest corrective changes to the JOBS Act. I urge your support for inclusion of these changes in legislation this year. In addition, I urge that Congress consider the unique circumstances and economic development needs of the territories in other elements of tax reform, including taxation of possessions earnings repatriated to the United States from the territories.

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The CHAIRMAN. Thank you for being here and thank you for that testimony. Governor Rosselló, last time I saw you, you were climbing up a non-OSHA approved ladder.

Governor ROSSELLÓ. So did you, sir.

The CHAIRMAN. To the bridge. I have to admit, I don’t think you did it as well as Ms. Torres or Mr. Denham, but you did it very well.

Governor ROSSELLÓ. I agree with that statement.

The CHAIRMAN. We are happy to have you here. You are recognized for 5 minutes.

**STATEMENT OF THE HONORABLE RICARDO ROSSELLÓ,  
GOVERNOR OF PUERTO RICO, SAN JUAN, PUERTO RICO**

Governor ROSSELLÓ. Thank you, Chairman Bishop, Ranking Member Grijalva, as well as our Congresswoman González and all members of the Committee for inviting me to testify today and for your interest and commitment to the U.S. citizens of Puerto Rico.

Irma impacted the island, and Maria left no corner of Puerto Rico untouched, causing the full failure of our power grid, major damage to our water system, ports and airports were rendered unusable, roads and bridges were washed away, and virtually all communications systems were shut down. I was there when we had to rescue 2,000 people from rooftops in Toa Baja after flooding reached massive proportions several hours after the hurricane. I saw mothers holding their infant babies on rooftops praying that someone would pick them up. We had no phones, no radio, no water, no power, no business, little access to roads and fuel. Despite these difficulties, we are starting to turn a corner, and right now we have 90 percent of people with access to water, 75 percent telecommunications. Just today, we reached 49.9 percent of energy production in Puerto Rico. We have 58 of our 68 hospitals within the grid, and we started opening schools at 839 today.

It is important to note that this event has no parallel in American modern history. Risk models categorize this as a 200- to 1,000-year storm causing between \$90 to \$120 billion in damages. When I took office, it was clear that I believed that effective and transparent government was critical to economic progress and to the future of Puerto Rico. The 10 months preceding Hurricane Maria, I worked tirelessly to implement an aggressive agenda on fiscal, economic, and government reforms.

Within 6 months of taking office, and without the last 2 years of audited financial statements, my administration obtained the approval of Puerto Rico’s PROMESA required 10-year fiscal plan and enacted the first budget complying with the plan. Our fiscal measures included \$903 million in reductions to our basic expense, including significant reductions in discretionary spending.

Post Hurricane Maria, my commitment to effective and transparent government became even more evident in my recent response to the public outcry over the Whitefish contract in PREPA. When questions were raised about the contract during the short period after Hurricane Maria struck Puerto Rico, I asked PREPA to cancel the contract and immediately called for two investigations. I took decisive action without waiting for the results of the investigation because I believe that continuing with a Whitefish contract would distract from the recovery and damages of our government and would damage our government's credibility.

Additionally, in order to assure the integrity of the contracting process as related to PREPA, I ordered the appointment of a procurement compliance officer to develop and implement proper controls and procedures aimed at promoting market competition and accountability. We have also agreed to the Oversight Board's recently adopted contracts review policy for contracts in excess of \$10 million.

Moreover, the government has been completely transparent with the Oversight Board from the beginning of my administration and have endeavored to be responsive to the requests of their information. At this moment, it is essential that Puerto Rico emerge from Title III as soon as possible and that the Oversight Board remains focused on developing plans of adjustment, recognizing the financial reality facing Puerto Rico. However, the Oversight Board's control of Federal funding is completely unnecessary.

My administration has already engaged in discussions, which are ongoing with the White House and OMB, over control parameters for disaster recovery funds. The expansion of the Oversight Board's powers cannot substitute the self-determination of the people of Puerto Rico. The thought and idea that the Oversight Board's power should be expanded to displace the democratically-elected government is both unnecessary and harmful.

Puerto Rico deserves the same respect and support as accorded to such states as New York and New Jersey in times of crisis. Like those states when facing disasters such as Sandy, Puerto Ricans deserve the right to pursue their own recovery efforts with the support, not control of, the Federal Government.

To that end, we established the Central Recovery and Reconstruction Office of Puerto Rico (CRRO) to ensure accountability and transparency in connection with the island's reconstruction. Outside support from the Federal Government, this Committee, volunteers, relief agencies, and the Oversight Board are critical and of tremendous benefit. They are, however, temporary. Puerto Rico's people and government structure are enduring.

Outside assistance, while welcome, cannot substitute or displace sovereignty, self-determination, and the self-government necessary to truly create a sustained recovery effort for Puerto Rico that would benefit all of its stakeholders. I know that the government has the will, vision, and commitment to do this. We are prepared to chart a course for our future in collaboration with the Oversight Board.

Thank you. God bless you. God bless Puerto Rico, and God bless America.

[The prepared statement of Governor Rosselló follows:]

PREPARED STATEMENT OF THE HON. RICARDO ROSELLÓ, GOVERNOR OF PUERTO RICO

INTRODUCTION OF HURRICANES IRMA AND MARIA

Hurricane Irma struck Puerto Rico on September 6, 2017 leaving over 70 percent of the people of Puerto Rico without power for a substantial time. Two weeks later on the morning of September 20, 2017 Hurricane Maria, the strongest hurricane to hit Puerto Rico in close to 100 years, made landfall south of Yabucoa. The storm moved west-northwest across Puerto Rico pounding us with torrential rain and sustained winds of roughly 150 mph for the next 30 hours.

It is impossible to describe the fury and violence of the storm to people who did not experience it, but the aftermath told the devastating story. The storm left no corner of Puerto Rico untouched. The electric grid experienced a complete failure with damage to every major transmission line, thousands of towers and poles were down, and generation facilities were damaged. For a significant period of time, 100 percent of the electric grid was down throughout the island. The communications networks were almost all destroyed, meaning 100 percent of the island had no traditional cell phone service for a period of time. All of the island's ports and airports were unable to operate. Nearly 100 percent of fields and crops were wiped out—a devastating blow for a society that already imported much of its food. Small and large businesses were forced to close, wiping out any source of economic activity and revenue for the government of Puerto Rico. Roads and bridges were swept away. Supplies were limited and the ability to get critical items to the island was challenged by the lack of access caused by the damage to the infrastructure.

AIR, a worldwide, a global leader in catastrophic risk modeling, estimates that the damages caused by Maria correspond to a storm that happens once in 250 to 1,000 years, while Moody's has estimated the damages to be up to \$95 billion.

This is an event that has no parallel in modern American history. During Hurricane Andrew, Tallahassee was up and running, Katrina left Baton Rouge functioning, and Harvey left Austin unscathed. Unfortunately, Maria left all of Puerto Rico completely devastated. For the people of Puerto Rico, Maria was not a disaster, it was a catastrophe. A catastrophe whose origins can be traced not only to the storm's horrible winds, waves and rains, but to the societal conditions that Puerto Rico has been subjected to for over a century.

PUERTO RICO'S ECONOMIC SITUATION PRE-HURRICANE

I became governor earlier this year with the unenviable task of correcting years of misplaced priorities and insufficient leadership, because as you know, long before this hurricane season had started Puerto Rico and its people had been battered by a decades-long storm of economic, fiscal, and demographic challenges.

A decade-long recession resulted in a loss of over half of the manufacturing jobs. More than half of the population was living below the Federal poverty line. Puerto Rico lacked sufficient capital to repair and modernize its energy transmission infrastructure, which was vulnerable to outages, even under normal conditions. On the eve of Hurricane Maria, Puerto Rico was literally bankrupt—having sought Title III protection for the Commonwealth and certain of its instrumentalities, including the Puerto Rico Electric Power Authority (PREPA), due to a mountain of over \$80 billion of debt that it could no longer service with available revenues.

The dire financial condition of the island created an outmigration movement to the United States that has been underway for a decade now. During the last 10 years, roughly 500,000 people have left Puerto Rico for the mainland. In the last year alone, that number has jumped to over 70,000 people leaving Puerto Rico. As you know, outmigration and the loss of human capital only makes rejuvenating the economy of Puerto Rico that much more difficult. That said, my administration entered office leaning on the strength of the people of Puerto Rico and determined to address the myriad of issues ailing the island.

Although local mismanagement was certainly a significant factor in those crises, their root causes can ultimately be traced to the unequal treatment of the U.S. citizens of Puerto Rico by the Federal Government. It is an undeniable fact that under Puerto Rico's current territorial status Congress can and does treat the island unequally under multiple Federal laws, programs, and other policies. Laws that we are subject to, even though we have no voting representation in the U.S. Congress that makes them, and cannot vote to elect the President that is responsible for executing them.

As the recent passage of Veterans Day reminds us, for over a century in times of war when America has needed us the most, the brave U.S. citizens of Puerto Rico

have served, bled, and died for this country. Yet somehow, the people of Puerto Rico cannot count on an equal amount of Federal support to what citizens stateside receive, but we are still expected to perform economically at the same level while being subjected to an uneven playing field.

It is evident that the cumulative impact of this unequal treatment and incoherent Federal territorial policies were fundamental factors that limited investment in Puerto Rico's critical infrastructure, debilitated our response capacity, and rendered the territory more vulnerable than necessary in the face of this massive hurricane.

#### GOVERNOR ROSSELLÓ'S REFORMS FOLLOWING PROMESA

Recognizing the importance of addressing Puerto Rico's pre-hurricane challenges, I've worked tirelessly to bring forth strong local leadership and a clear vision for our island. Upon taking office just 10 months ago, I embarked on an aggressive agenda of fiscal, economic, and government reforms. Within 3 months of being in office, my administration obtained the approval of Puerto Rico's 10-year Fiscal Plan by the Financial Oversight and Management Board as required by PROMESA, and 3 months later we enacted the first PROMESA-compliant state budget. All of this with the goals of putting Puerto Rico on a path to fiscal sustainability, responsibly restructuring our debts, rightsizing and modernizing our local government, and restoring the island to economic growth by unleashing the full potential of our talented and passionate people through the private sector. However, even with all this progress, the extraordinary destruction and devastation that Hurricane Maria created in Puerto Rico has created a situation where without a massive Federal investment there is no way Puerto Rico will ever fully recover.

#### REQUEST TO CONGRESS AND COMMITMENT TO TRANSPARENCY

Therefore, I call on Congress to approve by December an emergency supplemental legislation that provides equal treatment for Puerto Rico compared to what any state in the country should expect if they experienced a similar level of devastation. Attached to my written testimony I have provided an extensive analysis and documentation of the devastation caused by the hurricanes and the Federal resources necessary to build a more resilient Puerto Rico.

In doing this, I commit to you today that I will lead the most transparent disaster reconstruction in American history. Toward that end, I have issued an Executive Order creating the Central Office of Recovery and Reconstruction of Puerto Rico, which has been tasked with ensuring full accountability and transparency for all state and Federal funds directed toward the island's reconstruction. To foster a culture of accountability we will create a Recovery Transparency Portal that will not only track the status of recovery, but will also provide information to the public about how and where funds are being used.

Puerto Rico needs swift and robust action from Congress to show the 3.4 million American citizens still in Puerto Rico that there is hope for a better future.

#### FEMA AND THE STAFFORD ACT MOVING FORWARD

I would also like to speak to the immediate disaster response by this administration and specifically Administrator Brock Long and FEMA. Administrator Long with other top officials have been in close contact with me and my government throughout this recovery process. Thousands of relief workers have been working hard to save lives and alleviate human suffering long into the night for 7 days a week for well over a month now. These efforts must not go unnoticed, the people of Puerto Rico are truly grateful for the work and sacrifices made by these heroic first responders.

That said, the initial response from the Federal Government was far too slow. This delay has nothing to do with the efforts of the first responders, but rather the spirit of the Stafford Act and congressional failure to envision a storm the magnitude of Maria hitting Puerto Rico. Unlike normal disasters facing the United States, such as Katrina in Louisiana, which left Baton Rouge fully functioning, or Harvey in Texas which left Austin firing on all cylinders, Maria wiped out San Juan, leaving our state government unable to communicate and effectively in the dark.

Specifically, the Stafford Act authorizes FEMA to work in conjunction with the state and local governments to respond to a disaster. Therefore, much of the bureaucratic red tape and arcane agency approval process of FEMA is driven by the assumption that the state level government dealing with a disaster will have functioning computers, telephones, and a workforce that can navigate these obstacles. Furthermore, FEMA is set up to purely assist the state level government, therefore, when the state level employees become first responders themselves, it leaves FEMA

paralyzed to jump into action. One example is the backlog we experienced at our ports due to a lack of available truck drivers in Puerto Rico. Under a more robust Stafford Act, FEMA and the Federal Government would have been able to better help deal with this situation, whether it be in pre-disaster funding and planning or with providing more help to resolve the situation on the ground. Simply put, a more robust Stafford Act that helps state and local governments work with FEMA more closely pre-disaster, while also expanding FEMA's authorities in the most severe disasters is something that is necessary.

I would like to work with Congress and Administrator Long to help improve the Stafford Act so that the Federal Government can learn from the difficulties that first responders faced in the immediate aftermath of Hurricane Maria.

#### THE TASK OF REBUILDING PUERTO RICO

The reality of the conditions on the ground highlights the fact that the job of rebuilding Puerto Rico is the responsibility of its people and elected leaders, including myself. Outside support from the Federal Government, this Committee, volunteers, relief agencies, and the Oversight Board are critical and of tremendous benefit. They are, however, temporary. Puerto Rico's people and government are enduring. Outside assistance, while welcomed, cannot substitute or displace the self-determination and self-governance necessary to truly create a sustainable recovery and future for Puerto Rico that will benefit all its stakeholders.

I know that the Government has the will, vision, and commitment to achieve this. We are prepared to chart the course for our future, in collaboration with the Oversight Board, and the support of this Committee, Congress, FEMA, the Army Corps of Engineers, and other Federal relief agencies that are hard at work to assist us. In this time of humanitarian crisis, it is important that we work together and with respect—not seek to replace or diminish the Government elected by the people of Puerto Rico—to achieve those goals.

#### THE GOVERNMENT OF PUERTO RICO IS LEADING THE RECOVERY EFFORT

Despite the difficult and challenging circumstances, the government of Puerto Rico has led the island's recovery efforts in close collaboration with the Federal Government, relief organizations, and other states to procure emergency funding necessary for the immediate implementation of emergency projects. We have a long road ahead but much has been accomplished, in extremely difficult and challenging circumstances.

In the less than 2 months since Hurricane Maria, I am proud of the fact that the airports and ports are working, that the reconstruction of the water supply is over 85 percent complete, that over 70 percent of the communications and cell towers are back in operation, and almost 90 percent of the supermarkets and 85 percent of the gas stations are open. Over 42 percent of the power grid has been restored and, despite substantial disruption to the process, the restoration efforts met the initial targets that I established. Some approximate numbers follow:

- Approximately 15,000 Federal civilian personnel and military service members, including approximately 2,000 FEMA personnel, are on the ground in Puerto Rico engaged in response and recovery operations from hurricanes Irma and Maria.
- 35 states are supporting 143 requests for mutual aid in Puerto Rico.
- Aid relief and personnel have been put to good, constructive use.
- Approximately 85 percent of wastewater treatment plants are working on generator power. Improvement will come as the electrical grid is restored.
- Approximately 80 percent of banks are open.
- The San Juan financial district is fully connected to the electrical grid.
- Approximately 400 generators have been installed in Puerto Rico by the U.S. Army Corps of Engineers for critical infrastructure.
- Approximately 1,507 miles of Puerto Rico's 5,073 miles of roads are open, allowing for passage through the outer ring of the island.
- Over 95 percent of hospitals are open in Puerto Rico.

The work continues every day and progress is being made. We are working tirelessly and will not stop until the job is done.

PUERTO RICO HAS IMPLEMENTED COMPLIANCE MEASURES

In order to ensure that aid and financial resources are properly utilized, I have appointed an independent compliance officer with a background in procurement for the Government. In addition, the Government is developing a Contracting and Procurement Protocol consistent with the Oversight Board's contract approval rights as adopted at its last meeting on October 31, 2017. Pursuant to this Protocol, all contracts with a value in excess of \$10 million will be submitted to the Oversight Board for approval, and the Oversight Board has committed to responding to such approval requests within 7 days, so as to avoid delay in the recovery process.

FINANCIAL RESTRUCTURING AND THE ROLE OF THE OVERSIGHT BOARD

As we rebuild our infrastructure, the work of financial restructuring continues. The new facts and circumstances make emergence from Title III even more important for Puerto Rico. Without near-term certainty about the economic future of Puerto Rico, the inherent economic problems that existed prior to the hurricanes will continue and become increasingly more difficult to solve.

There is no doubt that the March Fiscal Plan will require significant revisions, including new assumptions and revisions to Puerto Rico's future growth trajectory. These will likely be negative. The Government is working to gather information and make revised projections so that we can revise the fiscal plans and resubmit to the Oversight Board. The Government is also committed to providing transparent information to creditors regarding the assumptions used in revised projections. Although most creditors will not like the outputs, we will ensure that they know and understand the inputs.

The Oversight Board can help Puerto Rico through revising the Fiscal Plan, lobbying, moving the Title III case forward, and offering helpful recommendations, as it is permitted to do under Section II of PROMESA. The Oversight Board can also expedite the permitting process as it relates to PREPA and other critical infrastructure projects as provided for under Title V of PROMESA.

But disaster recovery remains within the sole purview of the Government, which comprises elected officials responsible for coordination across the multiple entities and agencies that are rebuilding Puerto Rico. The Government should continue to have the responsibility to set and execute its policies within the confines of the certified Fiscal Plan and subject to Board review and approval rights. The Oversight Board would be an inefficient and ineffective mechanism for driving the policy choices underlying the reconstruction of Puerto Rico.

Although PROMESA provides a mechanism for the Oversight Board to be involved in emergency response, the Government is supposed to and must lead recovery efforts with the Oversight Board, reviewing and assessing government actions to ensure compliance with the certified fiscal plans and budgets. The Oversight Board is entitled to review government actions and to be informed of all recovery efforts in real time. However, even the Oversight Board, in an October 19 letter to me, stated that it "does not intend to impede the Government's implementation of any Federal programs, particularly those related to disaster response and recovery." Accordingly, instead of expanding the Oversight Board's powers to take over government functions, this Committee should in the first instance focus on what the Government has been doing to lead the recovery efforts (as previously discussed) and how the Oversight Board can be utilized to assist and enhance those efforts. Collaboration, not control, is the key to a successful future for Puerto Rico.

Despite these challenges, at the moment Hurricane Maria hit Puerto Rico, the Government was making good progress with the Financial Oversight and Management Board on the road to achieve fiscal responsibility and access to the capital markets within the context of the statutorily mandated requirements of PROMESA, which became effective June 30 of last year. Over the last 10 months we have worked collaboratively with the Oversight Board. For example:

- On February 28, 2017 (only 58 days after taking office), my administration submitted a proposed fiscal plan to the Oversight Board. On March 13, 2017, after extensive collaboration and negotiation, the Oversight Board certified the fiscal plan submitted by the Government. Thereafter, the Government proposed and the Oversight Board certified fiscal plans for PREPA and the Puerto Rico Highways Transportation Authority ("HTA"), among other entities. In that regard, we have succeeded where my predecessor failed.
- Then in July 2017, the Government and Oversight Board again worked together to develop and approve the Commonwealth's budget for Fiscal Year 2018.

- This past summer, Title III cases were commenced by the Oversight Board for the Commonwealth, HTA, PREPA, the Puerto Rico Sales Tax Financing Authority, and Employees Retirement System of the Government of Puerto Rico at the request of those entities. Our professional advisors worked closely with the Oversight Board's advisors to prepare those entities for Title III.
- Almost from the start of those Title III cases, the bondholders unleashed, unrelenting litigation against both the Oversight Board and Government disputing nearly every issue in the case. The Oversight Board and Government worked closely together in responding to litigation fending off attacks by a multitude of law firms and professionals representing various bondholder constituencies.
- The Government and the Oversight Board are completely aligned in defending against fundamental legal challenges raised by the bondholders concerning the legality of the fiscal plans certified by the Oversight Board and the constitutionality of PROMESA under the Appointments Clause of the Constitution.
- The Oversight Board and the Government have worked collaboratively with the mediation panel of five Federal judges appointed in the Title III cases to work with the bondholders to reach a consensual resolution of disputed issues.

Clearly, the storms have altered the dynamics of the restructuring process, given the uncertainty of the impact of economic growth over the life of the Government's fiscal plans. While both the Government and Board are still assessing the impact of the storms' damage and the impact of that damage on the island's future economic health, we have agreed that the Title III proceedings should not be delayed.

Moreover, the Government has been completely transparent with the Oversight Board from the beginning of my administration.

- We have endeavored to respond promptly to all requests for information from the Oversight Board and have never withheld information from the Board that it requested.
- The Government has and continues to submit periodic status reports to the Oversight Board.
- In addition to requests for documents and other information, the Government and its advisors have engaged in near constant dialogue with the Oversight Board and its advisors. The Government and its advisors have joined the Executive Director in weekly meetings where tasks and assignments are given for the government officials to produce information to the Oversight Board or to undertake necessary financial analysis. Working groups have also been formed with government representatives and Board representatives meeting to develop long-term plans with points of agreement for PREPA and HTA.
- The Government has agreed to comply with the Oversight Board's contract compliance policy as recently announced at its 10th public meeting and is willing to give the Oversight Board transparency into government requests for Federal funds. All contracts with a value in excess of \$10 million will be submitted to the Oversight Board for approval, and the Oversight Board has committed to responding to such approval requests within 7 days, so as to avoid delay in the recovery process.
- Moreover, I recently issued an Executive Order directing the appointment of an independent compliance officer at PREPA with a background in procurement.
- The Government has also worked closely with the Oversight Board to advance transparency and provide information to the creditors. To that end, thousands of documents have been made available to creditors in a data room.

Yet, I must express disappointment that in the face of the great lengths the Government has gone to cooperate with the Board, my ex officio designee to the Board has been routinely excluded from executive sessions and not given the benefit of gaining insight into the Board's deliberative thinking as well as the Board hearing my positions and views on issues vital to Puerto Rico. The fact is that the Oversight Board is not on the ground dealing with everyday issues and problems in the recovery effort. In order for the Oversight Board to be fully engaged with the Government, it is essential that my designee be given better access to information so as to avoid confusion and misperceptions. In other words, transparency works best when it goes both ways.

I realize that there continue to be disagreements with the Oversight Board with respect to certain narrow issues under PROMESA, but the fact is that the Oversight Board and Government have been united on a vast majority of issues. I respectfully disagree with the Executive Director's statement that these "disagreements between the Oversight Board and Government have resulted in costly delay and litigation."

PROMESA intended that the Oversight Board and the Government work together in the spirit of collaboration to return Puerto Rico to fiscal responsibility and not as "petty rivals for power." Our current point of disagreement with the Oversight Board relates to the appointment of a Chief Transformation Officer for PREPA. There is no other litigation in which the Oversight Board and the Government are adversaries in any of the other Title III cases, including that of the Commonwealth. The real source of litigation delay and cost has been the widespread bondholder litigation that both the Oversight Board and the Government have jointly defended and countered.

We believe that the Oversight Board's request that Congress intervene by mandating the appointment of a CTO for PREPA and other proposed changes because its mission has organically changed from fiscal recovery to disaster recovery is seriously misplaced. In particular, Ms. Jaresko requested that Congress take four actions to expand the Oversight Board's powers under PROMESA:

1. Require that the Oversight Board "certify all requests for liquidity advances" from Federal loans or relief funds;
2. Provide additional tools to monitor the expenditure of Federal funds as part of a plan that makes sense for Puerto Rico's future;
3. Grant the Oversight Board the authority to control the Government and its instrumentalities through the appointment of chief executive officers that are accountable only to the Board; and
4. Grant the Oversight Board authority to veto legislation enacted by the Puerto Rico legislature to the extent the Board determines, in its sole discretion, that such legislation is inconsistent with the fiscal plan.

If the Oversight Board's proposals to this Committee are adopted or somehow acknowledged or linked as a condition to future critical funding for Puerto Rico, they would effectively undermine the Government's disaster recovery efforts and create unnecessary confusion. In effect, the Oversight Board as an unelected body with no connection to the people of Puerto Rico would displace a government of elected leaders at a time it was addressing an unprecedented humanitarian crisis.

For these reasons, I would urge that no such actions be taken by Congress. Instead, the Government and the Oversight Board should be left to resolve any differences themselves without resort to litigation given that there is much more that unites than divides us in delivering for the people of Puerto Rico at this most critical hour.

#### CONCLUSION

This is a transformative moment in the history of Puerto Rico. We recognize that your leadership, along with that of leaders from both parties, will be essential to our recovery, and the future economic and fiscal health of the island. To that end, we are committed to fully engaging leaders from the private sector and Non-Governmental Organizations in the design and implementation of this rebuilding program. We will Build Back Better, not just in terms of the physical and economic reconstruction of the island, but through a true public-private partnership with a process that is open, transparent, and accountable to our community, to the Federal Government and the American people, who are showing such tremendous and heartfelt support for our efforts.

Puerto Rico has been treated equally in times of war, sacrificing like any other state, now in our time of greatest need we call on Congress to treat us equally as we work to recover, and ultimately rebuild a new and stronger Puerto Rico. We have the will and the spirit needed to continue contributing as part of the great American family. Help us help ourselves, and in doing so you can live up to America's greatest ideals. Our future is in your hands.

With sustained Federal assistance and your leadership and support, I am confident that in time the people of Puerto Rico will recover and grow stronger than ever.

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The following documents were submitted as supplements to Mr. Rosselló's testimony. These documents are part of the hearing record and are being retained in the Committee's official files:

- Report titled, “Rebuilding the Road Ahead,” by the Central Recovery and Reconstruction Office (CRRO), Government of Puerto Rico
  - Report titled, “Request for Federal Assistance for Disaster Recovery—Build Back Better, Puerto Rico, November 2017,” by Ricardo Rosselló, Governor of Puerto Rico
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QUESTIONS SUBMITTED FOR THE RECORD TO HON. RICARDO ROSELLÓ,  
GOVERNOR OF PUERTO RICO

**Questions Submitted by Rep. Graves**

*Question 1. Governor Rosselló, during the November 14, 2017 hearing, I mentioned a \$1.5 billion interest-free loan that was offered to the Puerto Rican government to assist the island's liquidity needs. Out of concern for the territory's liquidity, I wondered why your administration would not be eager to accept such a proposal. Your response of “that is not true, that has not been offered to us,” raises questions in follow up:*

- 1a. *What is your administration's position on non-Federal assistance? Please respond with specific categories where you see opportunities (e.g., the COFINA bondholder's \$1.5 billion loan proposal, privatizing PREPA, etc.).*
- 1b. *Was the \$1.5 billion offered and ultimately rejected by the Fiscal Agency and Financial Advisory Authority, an authority that you created in 2017 pursuant to Chapter 6 of the Puerto Rico Emergency Moratorium and Financial Rehabilitation Act, Act 21-2016—a bill you signed into law?*
- 1c. *Given my understanding there was an offer of a \$1.5 billion interest-free loan. Can you please explain the framework by which you evaluate such significant offers to assist Puerto Rico? In addition, please explain your metric in assessing the territory's liquidity needs?*

Answer.

- 1a. We do not agree that a \$1.5 billion loan was proposed. The government will consider all bona fide proposals of non-Federal assistance.
- 1b. We do not agree with the premise of the question (there was no loan proposed to the Fiscal Agency and Financial Advisory Authority). There were certain communications subject to certain confidentiality constraints, which the government respects.
- 1c. To date, only the PREPA bondholders' proposal was made to the government directly. For publicly disclosed reasons, that proposal was rejected by the government. The Commonwealth is developing a cash-flow forecast to assess its liquidity needs in the near term.

*Question 2. There has been some confusion as to the Federal tax status of Puerto Ricans. The Internal Revenue Service's Publication 1321 explains that “the income you receive from Puerto Rican sources is not subject to U.S. income taxes.” Is this accurate?*

Answer. The general rule is that residents of Puerto Rico do not pay Federal income taxes on Puerto Rico source income.

*Question 3. Could you please confirm that with the exception of payroll/FICA taxes, Puerto Ricans do not pay Federal income taxes? Obviously, there are rare exceptions for Federal employees and those earning income in excess of specified thresholds from outside of Puerto Rico.*

Answer. The general rule is that residents of Puerto Rico do not pay Federal income taxes on Puerto Rico source income.

*Question 4. As I noted, a number of our constituents have noted that Puerto Ricans generally do not pay Federal income taxes. How is best to explain to these constituents that Puerto Rico should be treated the same as Federal taxpayers?*

Answer. Citizenship is not based on the tax status of the individuals who live in the United States. Puerto Ricans are just as much citizens of our country as are

people in Florida, Texas, California, or any other state or territory. All that Puerto Rico is asking is for Puerto Ricans to be treated as all other citizens are treated after a large disaster, no more and no less.

The reality is that the government of Puerto Rico carries a much larger financial burden for the delivery of assistance to its citizens than states do. While Puerto Ricans may pay less in some Federal taxes, they also receive less assistance on a per-capita basis from the Federal Government than do residents of other states for services and support such as Medicaid, Social Security, and Medicare. This means that the government of Puerto Rico (and thus the resident taxpayers of Puerto Rico) must shoulder a larger financial burden than other taxpayers in the United States for these services.

I believe that Puerto Rico should be a state with all the rights and duties associated with being part of the United States. Being admitted to statehood would give Puerto Rico stability in terms of resources for its people and provide for full participation in the U.S. political system.

Moreover, the social benefit to Puerto Ricans would be immeasurable. Statehood is necessary for Puerto Rico to implement transformative change. If granted statehood, Puerto Rico would be aided fiscally. At the same time, Puerto Rico and its residents understand that they would be responsible for all aspects of statehood, just as U.S. citizens of other states, and are willing to assume such responsibilities if they are full participants in the benefits as well.

*Question 5. Numerous times during the hearing you cited that you just want Puerto Rico to be treated like a state. In fact, there are differences between the territory and states. Do you believe that Puerto Rico should fully transition to statehood—including the payment of Federal income taxes?*

Answer. I believe that Puerto Rico should be a state with all the rights and duties associated with being part of the United States. Being admitted to statehood would give Puerto Rico stability in terms of resources for its people and provide for full participation in the U.S. political system. For example, Puerto Rico currently receives a significant amount less in healthcare funding because it is not a state. Accordingly, on that issue alone statehood would not only help the health of the people of Puerto Rico but would also positively impact the economy.

Moreover, the social benefit to Puerto Ricans would be immeasurable. Statehood is necessary for Puerto Rico to implement transformative change. If granted statehood, Puerto Rico would be aided fiscally. At the same time, Puerto Rico and its residents understand that they would be responsible for all aspects of statehood, just as U.S. citizens of other states, and are willing to assume such responsibilities if they are full participants in the benefits as well.

*Question 6. Your administration has repeatedly called for the repeal of the Jones Act as it applies to Puerto Rico. It is interesting that when a Jones Act waiver was granted following the 2017 hurricanes, only one foreign vessel took advantage of this waiver. How do you explain this apparent lack of interest when a waiver was granted?*

Answer. A 2010 University of Puerto Rico study determined that the island loses approximately \$537 million per year due to the Jones Act. Under the Jones Act, Puerto Rico must pay at least double the cost to import goods and supplies from the U.S. mainland compared with neighboring islands, a burden that the island cannot afford. Therefore, I welcome Senator McCain's bill to analyze the impact the Jones Act has on interstate commerce.

*Question 7. We have heard numerous anti-Jones Act individuals cite the increased costs associated with the application of this law to the island. However, a review of consumer price comparisons indicate otherwise. In fact, consumer prices in Puerto Rico appear to be approximately 23 percent lower than in Miami and a 24 percent difference in the USVI. How do you reconcile these higher prices in other areas yet suggest repeal of the Jones Act in Puerto Rico will help your constituents? Shouldn't we focus on solutions that will truly help PR rebuild?*

Answer. Under the Jones Act, Puerto Rico must pay at least double the cost to import goods and supplies from the U.S. mainland compared with neighboring islands, costing hundreds of millions of dollars each year. These higher prices are passed on to the island's residents. One cannot look at consumer price comparisons in a vacuum; even if consumer prices are lower in Puerto Rico than in Miami, so too is the average annual income of its residents, which impacts the affordability of necessary goods and supplies.

It has been reported that if the Jones Act were suspended, consumer prices would drop by 15–20 percent and energy costs would be reduced. Accordingly, relief from

the Jones Act will enable residents to purchase affordable materials to rebuild their homes and communities.

*Question 8. As we have discussed, numerous infrastructure components on the island were in substandard condition prior to Hurricanes Irma and Maria. Under normal conditions, the Stafford Act provides for the repair and replacement of infrastructure to pre-disaster conditions or may even exclude infrastructure or other public facilities that have not been properly maintained. In the case of Puerto Rico, the application of these statutes/regulations may exclude public assistance in many cases. How do you suggest Congress apply these guidelines in the case of Puerto Rico?*

Answer. As the focus turns from response to recovery, the scale of the devastation provides Puerto Rico and the U.S. Government with an unprecedented opportunity to rebuild portions of the island's infrastructure, housing, and economy in a way that makes Puerto Rico better and more resilient than before. Puerto Rico now has a chance to rethink the design of major components of the island's critical infrastructure, invest in the quality and survivability of its housing stock and public buildings, and restructure, modernize and reform how it delivers basic services to its residents. Puerto Rico can improve its resiliency and sustainability to protect the Federal and state investment in the recovery and produce benefits for the island's residents for generations to come. There are a number of provisions of the Stafford Act that allow, and to a certain extent require, FEMA to fund the rebuilding of damaged facilities with design improvements over the pre-disaster condition, and with far greater disaster resilience. Nonetheless, to achieve full long-term recovery of damaged infrastructure housing, and the economy, the people of Puerto Rico will need assistance above and beyond that available from existing programs of FEMA, HUD, HHS, DOT, and other Federal agencies involved in the recovery from Hurricane Maria.

It is notable that while deferred maintenance and pre-existing condition issues certainly existed prior to the storm, even more modern infrastructure built to the codes and standards adopted in Puerto Rico at the time of the storm would have failed when faced by two back-to-back hurricanes the size and intensity of Hurricanes Irma and Maria. This is why pursuing reconstruction in the traditional manner would not recognize either the magnitude of the disasters nor the opportunity and imperative to make investments in recovery that will produce more hazard-resistant and resilient infrastructure, housing, and economy.

In addition, FEMA has required that Puerto Rico implement permanent repairs under the Public Assistance Program using Section 428 of the Stafford Act, which will require that Puerto Rico and the Federal Government arrive at estimates for eligible repair costs which then become "capped" as a block grant to fund recovery reconstruction efforts. While this approach offers Puerto Rico flexibility to build back better, we also understand that determining and arguing over the portion of the repair that is due to pre-existing condition or deferred maintenance will greatly slow the pace of recovery. Neither Puerto Rico nor FEMA can afford to experience protracted delays as happened after Hurricanes Katrina and Rita in Louisiana or in countless other disasters around the country—the scale of the devastation here and the imperative to restore communities, infrastructure and the economy are simply too great. Furthermore, receiving only a percentage of what it will take to rebuild Puerto Rico will be disastrous, given that the Commonwealth and its municipalities cannot afford to pay the additional billions of dollars that will be necessary to "fill the gaps" in aid should the costs associated with pre-existing condition be subtracted from grant awards.

For these reasons, we believe that the best and only solution is to approach the FEMA process from the perspective of providing the funding necessary to allow for the rebuilding of Puerto Rico in a modern and more resilient and sustainable manner, without consideration of pre-existing condition and deferred maintenance deductions.

*Question 9. In addition to funding, could you please help us identify administrative and other bureaucratic waivers, modifications, or exemptions that may help you restore and recover Puerto Rico and its residents and businesses?*

Answer. We need modifications to the Stafford Act to provide Puerto Rico with the necessary flexibility to rebuild a more resilient infrastructure. The Stafford Act limits restoration expenses to rebuilding what was already there. In the case of Puerto Rico, where the infrastructure required modernization prior to the hurricanes, such a requirement is not appropriate. Stafford Act funds should be permitted to be used to build a new, resilient infrastructure that will not be as susceptible to destruction in future storms.

Similarly, the reimbursement structure contained in the Stafford Act assumes a state recipient with sufficient funds to advance costs and wait for reimbursement. It also assumes a level of state cost-sharing. Puerto Rico's financial situation prior to the hurricanes made both the reimbursement and cost sharing provisions impractical.

Furthermore, repealing or even suspending the Jones Act for the foreseeable future will truly help Puerto Rico rebuild. Under the Jones Act, Puerto Rico must pay at least double the cost to import goods and supplies from the U.S. mainland compared with neighboring islands, a burden that the island cannot afford. It has been reported that if the Jones Act were suspended, consumer prices would drop by 15–20 percent and energy costs would be reduced. Accordingly, relief from the Jones Act will enable residents to purchase affordable materials to rebuild their homes and communities.

There is also an urgent need for Congress to stabilize the Federal funding structure for Puerto Rico's Medicaid program by continuing the current funding levels. As a U.S. territory, Puerto Rico already receives proportionately less reimbursement from the Federal Government for Medicaid programs compared to the states. Nevertheless, Medicaid serves as one of the pillars of the island's healthcare system—and Puerto Rico cannot afford the sharp drop in funding early next year, the so-called "Medicaid Cliff." Therefore, I requested an increase to the statutory cap on Puerto Rico's Medicaid program to approximately \$1.6 billion for a period of at least 5 years, in line with the duration of the reauthorization of the State Children's Health Insurance Program (SCHIP). I also requested a waiver of Puerto Rico's share of Medicaid costs—which costs the Puerto Rico government approximately \$120 million per year. These actions would help stabilize the funding for Puerto Rico's Medicaid program during a sufficient period of time for beneficiaries, providers, and insurers on the island to recover from the current crisis and adapt to the new normal.

Puerto Rico also needs temporary exemptions from local match requirements on Federal-aid projects under the Transportation Emergency Relief Program in order to rebuild its transportation system. Puerto Rico likewise needs temporary exemptions from RRIF and TIFIA requirements for an investment-grade rating on senior projects. These exemptions would facilitate investment in critical infrastructure projects.

Puerto Rico is also asking for a temporary exemption from eligibility requirements associated to population size of rural communities under the U.S. Department of Agriculture's (USDA) Rural Development Community Facilities programs. This will allow access to direct loans and loan guarantees that are typically reserved for certain eligible rural communities interested in projects for health care, public facilities, community support, public safety, educational services, utility services, and food systems across the entire island.

Attached to this response is a list of administrative and bureaucratic waivers, modifications, or exemptions that will help Puerto Rico rebuild more efficiently. We may need additional changes and waivers depending on the amount and type of funding provided by Congress and which programs are used to deliver those resources.

[The information follows:]

List of Federal Waivers and Requests Associated to Infrastructure

No.	Federal Request	Description
1	Temporary exemptions to private activity bond volume.	Temporarily relieve Puerto Rico from annual caps applicable to Private Activity Bond volume specially for projects associated to transportation and social infrastructure projects.
2	Temporary exemptions for Puerto Rico from local match requirements on federal-aid infrastructure projects.	U.S. Department of Transportation—Increase funding for the Emergency Relief program (49 U.S.C. § 5324), waive local matching requirement, and make Puerto Rico eligible. Possible use of SEP-15 to waive Ch. 23 statutory requirements.
3	Allow expedited clearance protocols related NEPA and Clean Water Act requirements.	Allow immediate relief and reconstruction projects to have an expedited clearance on NEPA and Clear Water Act requirements and limit third-party challenges to infrastructure projects under the same Acts (in addition to "priority consideration" of critical infrastructure projects as mandated by PROMESA).

List of Federal Waivers and Requests Associated to Infrastructure

No.	Federal Request	Description
4	Provide “asset recycling” type credits to Puerto Rico.	Robust “look-back” provisions under the Administration’s “asset recycling” proposal that will ensure Puerto Rico receives credit (and thus bonus payments) for prior monetizations, including the concessions of PR-22/5 and Luis Muñoz Marin Airport.
5	Provide exemption for aviation cabotage.	Permanent exemptions for Puerto Rico from prohibitions on aviation “cabotage” by non-U.S. flagged air cargo carriers.
6	Permanent exemptions for Puerto Rico from the Jones Act.	The recently granted exemption for only 10 days did not allow for any quantifiable benefit to the island, which proved that a permanent exemption will be more effective for Puerto Rico.
7	Temporarily exempt from credit rating requirements under TIFIA, RRIF and WIFIA programs.	Temporary exemptions for Puerto Rico from the requirements under TIFIA, RRIF and WIFIA for an investment-grade rating of senior project debt will facilitate private investment in critical infrastructure.
8	Changes in tax law.	Changes in tax law that better enable private parties to assume unfunded government pension liabilities in exchange for long-term concessions of public infrastructure.
9	Changes in tax law.	Changes in tax law that attract new business to Puerto Rico.
10	Waiver of the Cost Share for the Public Assistance program.	FEMA has currently waived the local cost share for emergency work. FEMA should waive the local cost share for permanent repair of infrastructure. If FEMA only raises the federal cost share to 90%, pass legislation that directs the federal cost share to 100%. This was done for Hurricane Katrina. <i>See</i> Section 4501 of P.L. 110–28, 121 Stat. 156.
11	Housing and Urban Development (HUD) Community Development Block Grants for Disaster Recovery (CDBG–DR).	Grant maximum funding for housing and infrastructure related projects under the HUD CDBG–DR program.
12	Increase funding under Economic Adjustment Assistance of Department of Commerce.	Increase funding to Economic Adjustment Assistance infrastructure programs to increase construction related activity in a timely manner. Expedite Economic Development Administration (EDA) Program timelines for the Public Works programs in order to repair substantially damaged electricity grids and air traffic control infrastructure.
13	Common Grant Rule and implementing rules and regulations, including—FRA Circular 5010.10.	Exempt from any applicable requirement to repay the “federal share” of USDOT-funded assets that are sold or leased under a concession agreement.
14	Formulate a credit enhancement or backstop guarantee for infrastructure projects using existing mechanisms under the Transportation Infrastructure Finance and Innovation Act (TIFIA) program and regularly apportioned Federal-aid Title 23 and 49 funds.	Such credit enhancements or backstop mechanism can allow the government of Puerto Rico or the Federal Government to make Federal funds available on a contingent (or standby) basis. This credit enhancement mechanism can reduce risk to investors and allow projects to be effectively financeable or bankable. Similar credit enhancement mechanisms are offered by State Infrastructure Banks (SIBs), which are allowed to capitalize revolving loan funds with regularly apportioned Federal-aid Title 23 and Title 49 funds.

List of Federal Waivers and Requests Associated to Infrastructure

No.	Federal Request	Description
15	Temporarily exempt the entire island of Puerto Rico from eligibility requirements associated to population size of rural communities under the U.S. Department of Agriculture's (USDA) Rural Development Community Facilities programs. In other words, temporarily treat the entire island as an eligible rural community under these programs.	This will allow access to direct loans and loan guarantees that are typically reserved for certain eligible rural communities interested in projects for health care, public facilities, community support, public safety, educational services, utility services, and food systems across the entire island of Puerto Rico.

*Question 10. As you know, Congress established an Oversight Board to help the territory transition out of significant indebtedness. The hurricanes substantially changed conditions on the island. Could you please describe how you believe the role of the Oversight Board should change as a result of these disasters?*

Answer. PROMESA intended that the Oversight Board and the government work together in the spirit of collaboration to return Puerto Rico to fiscal responsibility. I believe the Oversight Board can best help Puerto Rico by continuing to focus on its statutory mandate including certifying revised Fiscal Plans, lobbying for additional funding for Puerto Rico, moving the Title III case forward, and offering helpful recommendations, as it is permitted to do under Title II of PROMESA. The Oversight Board can also expedite the permitting process as it relates to PREPA and other critical infrastructure projects as provided for under Title V of PROMESA.

The disaster recovery effort, however, remains within the sole purview of the government, which comprises elected officials responsible for coordination across the multiple entities and agencies that are rebuilding Puerto Rico. The health, safety, and welfare of the people of Puerto Rico are the responsibility of the government, as is the development and implementation of public policy related to recovery and reconstruction. The Oversight Board's role should not be to take over government functions or substitute the self-determination of the people of Puerto Rico, but rather to assist and enhance the government's recovery efforts. Collaboration, not control, is the key to a successful future for Puerto Rico.

*Question 11. Puerto Rico's financial problems date back over a decade, yet few financial reforms were implemented to help mitigate these problems. The territorial government is now requesting nearly \$100 billion from the U.S. Congress. It is difficult for me to explain to our constituents how providing billions of dollars to a territorial government would yield difficult outcomes than we have seen in the past. While I recognize your administration inherited much of the financial problems, what confidence can you provide that we would see a different outcome with these recovery/rebuilding dollars?*

Answer. Puerto Rico recognizes that the commitment of funding from Congress necessitates an equal commitment from Puerto Rico to manage those funds with great efficiency, transparency, and accountability. Puerto Rico is determined to deliver on this commitment and put in place appropriate organizational structures, controls and processes to protect the Federal investment in the recovery.

I issued an Executive Order establishing the Central Recovery and Reconstruction Office of Puerto Rico. This new Office will provide the centralized oversight and financial controls that the government of Puerto Rico and the U.S. taxpayer expect for the recovery effort. It will also ensure the government of Puerto Rico can implement reconstruction efforts with efficiency and transparency and capitalize on opportunities to build back in a manner that makes Puerto Rico better and more resilient. This office will also centralize the government's recovery procurement activities so that additional controls can be implemented to ensure that all procurements are performed in a manner that promotes open competition, and will make information about procurement decisions available to the public.

My administration is also planning to create a Recovery Transparency Portal that will track the status of recovery and provide information to the public about how and where funds are being used. This will provide transparency related to the recovery effort, and will support a regimen and culture of accountability.

*Question 12. You noted that privatization of Puerto Rico's electrical system would be considered as part of a long-term recovery effort. Could you please explain how this decision will be evaluated? Who will be involved in making this decision? And, what criteria will be used to inform such a decision?*

Answer. One of my administration's goals has always been to transform the electric service in Puerto Rico to a system that is resilient, modern, and sustainable so that electricity can be provided reliably and at a reasonable price. Doing so is critical to the economic future of Puerto Rico. To that end, we are engaged in a rigorous process to evaluate the best alternative available for the future of Puerto Rico's electric grid. That process includes considering the privatization of PREPA, which may present a positive opportunity for Puerto Rico and its citizens.

The decision about the future of Puerto Rico's electric system is part of the transformation and fiscal planning process that is ongoing. This process is a collaboration between and among the government of Puerto Rico, PREPA and its Governing Board, the Fiscal Agency and Financial Advisory Authority, the Oversight Board, and all of their respective advisors. The criteria for any decision will be identifying an executable alternative that results in just and reasonable rates and services, financial certainty, and safe, reliable, efficient and modern operations for the people of Puerto Rico.

**Questions Submitted by Rep. Grijalva  
Energy Commission**

*Question 1. All 50 states and territories of the United States have regulatory commissions, some of which also regulate municipal or government systems. Their goal is generally to protect ratepayers and the public interest. The Energy Commission in Puerto Rico has already done good work toward righting the PREPA ship. Is there any reason that Puerto Rico is an exception and does not need a strong, independent regulator to protect the public interest and the ratepayers?*

Answer. Puerto Rico deserves and will have a strong, independent regulator to protect the public interest and the ratepayers and instill market confidence—a regulator that functions in a similar manner to state public utility commissions on the U.S. mainland. Such a strong, independent regulator will allow Puerto Rico's electric utility to fulfill its mission to ensure just and reasonable rates and services, financial certainty, and safe, reliable, efficient and modern operations for the people of Puerto Rico.

Under Puerto Rico law, the Energy Commission is intended to be a supervisory rate and resource planning regulator. The current Energy Commission, however, has gone far beyond this typical role by inserting itself into PREPA's operations, management, budgeting and policy formation, thereby overstepping its legal authority and, in turn, interfering with the authority of the PREPA Governing Board and the government of Puerto Rico, the fiscal role of the Oversight Board, and the supervisory role of the Title III court. The Energy Commission's actions add another layer of unnecessary process, uncertainty, and burden on PREPA personnel while interfering with the current relief and procurement efforts.

*Question 2. Will you attempt to change the law to allow you to install new Commissioners?*

Answer. Current Puerto Rico law already permits the governor to install new Commissioners to the Energy Commission.

*Question 3. Do you plan to weaken the Energy Commission or decrease its independence from your administration in any way?*

Answer. The future of energy regulation in Puerto Rico has to be evaluated both in terms of the near-term recovery and restoration plan and the longer-term needs of the transformation process. Any changes to the Energy Commission or its authority will be evaluated in that context.

*Question 4. If you erode the independence or authority of the Energy Commission, and you oppose the appointment of a Chief Technical Officer, what kind of oversight of PREPA do you think is necessary? Do you think that level of oversight will give Congress the confidence it needs to fund the rebuilding of the power system and expect it to be run well this time?*

Answer. The government and PREPA have taken concrete steps to ensure the proper use of funds to rebuild PREPA. On October 30, 2017, I designated Ottmar J. Chávez as the receiver for PREPA's purchasing and supplies division. Since mid-

September, Mr. Chávez served as the director of Procurement Strategy at the Fiscal Agency and Financial Advisory Authority. Prior to working at AAFAF, Mr. Chávez was a senior program manager with Medtronic in Puerto Rico, where he led initiatives related to the improvement of procurement policies, supplier management, cost reductions, and contract management; in this role, Mr. Chávez achieved substantial savings for Medtronic. Mr. Chávez previously served as purchasing manager at Eaton Corporation, a multi-nation power management company founded in the United States, which provides solutions to managing electrical, hydraulic, and mechanical power. Mr. Chávez oversees the Office for Contract and Procurement Compliance, a division established within PREPA to reform the structure and process related to public procurement.

On November 22, 2017, I designated Carlos D. Torres as the single point of contact, or SPOC. Mr. Torres previously served as the Emergency Preparedness Consultant the Edison Electric Institute, and worked for more than 30 years for Consolidated Edison of New York (more commonly known as Con Edison), including a decade as the utility's Vice President for Emergency Preparedness and Resiliency. In this capacity, Mr. Torres oversaw Con Edison's response and power restoration efforts to a range of major emergencies, including the September 11, 2001 terror attacks, the 2003 blackout, and Hurricanes Irene and Sandy. As SPOC, Mr. Torres will coordinate restoration, logistics, and execution efforts to restore the electrical system.

On December 1, 2017, PREPA appointed Mr. Todd W. Filsinger as its Chief Financial Advisor. Mr. Filsinger and his company, Filsinger Energy Partners, bring substantial experience in the energy sector to PREPA, having previously guided several utilities through industry restructurings. Mr. Filsinger served as the Lead Energy Advisor to the debtors during the recent bankruptcy of Energy Future Holdings, served as the Interim Chief Executive Officer and Interim Chief Financial Officer for Hawkeye Growth, and as the Chief Operating Officer, Chief Commercial Officer and as an Energy Restructuring Advisor for Calpine Corporation. Mr. Filsinger will have broad responsibilities for the financial aspects of PREPA's operations and will lead PREPA's operational and transformational restructuring.

*Question 5. How would you increase the independence of the Energy Commission?*

Answer. The future of energy regulation in Puerto Rico has to be evaluated both in terms of the near-term recovery and restoration plan and the longer-term needs of the transformation process. As part of the transformation of electric service in Puerto Rico, we expect to establish a strong, independent regulator to protect the public interest and the ratepayers and instill market confidence—similar in manner to public utility commissions on the U.S. mainland.

*Question 6. If forced to choose between regulatory oversight of PREPA from the Oversight Board or from the Puerto Rico Energy Commission, which would you choose?*

Answer. The Oversight Board and an appropriately constituted energy regulatory body each have a role to play in the future of Puerto Rico. The Oversight Board's role should be to work with the government of Puerto Rico to help it through the island's financial restructuring, but within the confines of PROMESA. An appropriately constituted regulatory body's role should be to protect the public interest and ratepayers and instill market confidence—similar in manner to public utility commissions on the U.S. mainland.

However, it should be the government of Puerto Rico, and its democratically-elected officials, that play the most important role in overseeing the transformation of Puerto Rico's electric system. To that end, my administration continues to analyze and consider strategic alternatives for PREPA that would recognize the interests of Puerto Rican rate payers as well as creditors and other constituents.

**Energy**

*Question 1. As we rebuild the electric infrastructure on the island, almost from scratch, I see this as an opportunity to wean Puerto Rico from expensive imported fuels with a more ambitious Renewable Portfolio Standard than was previously passed under a very different set of circumstances. For example, Hawaii's goal is 100 percent renewables. Is there a reason Hawaii can do it but Puerto Rico cannot?*

Answer. Hawaii's goal to achieve 100 percent renewables by 2045 is laudable. Puerto Rico has made its own efforts to reduce its dependency on expensive imported fuels, including implementing its own Renewable Portfolio Standard.

Puerto Rico believes that an increase in renewables is critical to the long-term success of the island. It is one of many avenues being considered as part of the

transformation of electric service in Puerto Rico. Puerto Rico's revitalization efforts will accordingly look to increase Puerto Rico's use of renewables and other forms of alternative energy and for Puerto Rico to be less dependent on fossil fuels.

*Question 2. In the past, two different efforts to privatize PRASA, the island's water authority, failed. Are you in favor of privatizing PREPA? To what extent? Why will privatizing PREPA be different than attempts to privatize PRASA?*

Answer. The government of Puerto Rico is identifying how it can best work with the private sector, so to allow the government to be more focused and effective for its citizens. One of my administration's goals has always been to transform the electric service in Puerto Rico to a system that is resilient, modern, and sustainable so that electricity can be provided reliably and at a reasonable price. Doing so is critical to the economic future of Puerto Rico. To that end, we are engaged in a rigorous process to evaluate the best alternative available for the future of Puerto Rico's electric grid. That process includes considering the privatization of PREPA, which may present a positive opportunity for Puerto Rico and its citizens.

As to the prior failed efforts to privatize PRASA, those efforts were undertaken by a different administration and without the benefits of Title III.

*Question 3. Critics say political interference in PREPA is one of the key drivers of its financial problems. They cite as an example the fact that the electric rates did not change in 27 years, arguably since politicians did not want to be the ones that increased electric rates. However, operating expenses increased and were covered through some of the bond issuances (even though bonds were supposed to be used for infrastructure development). Is that a fair assessment?*

Answer. Puerto Rico needs a reliable, cost-effective and efficient electrical system. PREPA was frequently cited as an example of governmental dysfunction where political considerations over-rode true economic goals. And PREPA's challenges, including its aging infrastructure and significant debt burden, have resulted in inefficiencies and rising costs which in turn have caused Puerto Rican residents and businesses to endure high electricity costs. In that regard, it is my view that the restructuring of Puerto Rico's electric grid must incorporate a governance model that facilitates investor and consumer confidence and minimizes political interference. My administration continues to analyze and consider strategic alternatives for the future of electric service in Puerto Rico that would recognize the interests of Puerto Rican rate payers as well as creditors and other constituents.

*Question 4. Has the government of the Commonwealth of Puerto Rico reached out to international humanitarian agencies that have offered to help Puerto Rico in the face of the inadequate response of the Federal Government to the humanitarian crisis?*

Answer. Puerto Rico has received substantial aid from the U.S. Government. While more is needed, Puerto Rico appreciates the efforts of all the government workers and agencies who have dedicated time and resources to assist in our recovery. In addition, many domestic and international organizations have assisted in numerous ways. These organizations include the Red Cross, United Way, Oxfam, Save the Children, the International Medical Corps, and the Mercy Corps, as well as numerous other groups large and small. We are deeply appreciative of all of the assistance we have and continue to receive.

#### **Control Board Powers**

*Question 1. You pull no punches when you say in your statement: "If the Oversight Board's proposals to this Committee are adopted or somehow acknowledged or linked as a condition to future critical funding for Puerto Rico, they would effectively undermine the government's disaster recovery efforts and create unnecessary confusion." Do you believe that no additional controls are necessary to ensure the accountable use of Federal funding?*

Answer. The Puerto Rico government believes in controls and is actively pursuing controls. What Puerto Rico does not want, however, is for the sovereign powers of its government to be compromised.

To promote accountability and transparency, my administration established the Central Recovery and Reconstruction Office of Puerto Rico. The Office will (a) identify, procure and administer all state, Federal and/or private resources for recovery; (b) direct and coordinate efforts and activities of the government of Puerto Rico related to the recovery; (c) fund and execute recovery and related infrastructure projects; and (d) advise me and provide technical assistance across the government related to recovery efforts. This new Office will provide the centralized oversight and

financial controls that the government of Puerto Rico and the U.S. taxpayer expect for the recovery effort.

Puerto Rico is also planning to create a Recovery Transparency Portal that will track the status of recovery and provide information to the public about how and where funds are being used. This will provide transparency related to the recovery efforts, and will support a culture of accountability.

In addition, on September 23, 2017, I entered into an agreement with FEMA that governs the understandings, commitments, and conditions under which funds provided to Puerto Rico by *any* Federal agency for disaster relief and/or recovery assistance. Under this agreement and under applicable law, Puerto Rico is subject to numerous obligations and compliance with regulations in connection with the receipt of Federal funds, including pre-approval of certain relief projects and certification of compliance with the FEMA agreement. FEMA is further permitted to perform audits or review the use of such Federal funds to ensure compliance with the Stafford Act, applicable regulations, and the FEMA agreement, and has the power to disallow certain costs and recover funds in the event of a lack of compliance.

Furthermore, Puerto Rico is subject to an order of the Title III court that is overseeing the island's restructuring. Pursuant to the order, these Federal funds are not available to satisfy Puerto Rico's pre-existing debts and are restricted to recovery and restoration efforts in compliance with Federal law.

#### **Arecibo**

*Question 1. Do you or members of your immediate family have any financial ties to Energy Answers?*

Answer. No. Neither I nor my immediate family members have financial ties to Energy Answers.

#### **Water**

*Question 1. We hear about relatively small waterborne disease outbreaks and there are certainly more to come. The water distribution system is in dire need of repair and replacement. As we talk about rebuilding the electric grid to a modern standard, what are you doing to ensure the same for the drinking water system?*

Answer. The outbreaks of waterborne diseases are due to people accessing non-PRASA water sources (e.g., from lakes, streams, ponds and other unsafe sources of water). The water being delivered by PRASA is safe for human consumption. As of today, over 90 percent of PRASA's service has been restored.

Although over 90 percent of the water service has been restored and virtually all Puerto Ricans now have access to safe drinking water, the natural disasters that impacted Puerto Rico illuminated issues with PRASA's system that were previously unknown. PRASA is taking steps to safeguard the system in the future, including: (i) moving and relocating vulnerable facilities, (ii) relocating intake systems, (iii) reinforcing the infrastructure, and (iv) working to establish redundancies and resilience in its system. We asked Congress for Federal funds to allow PRASA to effectuate these critical safeguards.

*Question 2. There have been reports of diesel leaks on the northern coast of the island. What is the status of those leaks? Do you expect the leaks to affect any areas that are tourist attractions? What is being done to mitigate the effects of the spills?*

Answer. There have not been any material diesel leaks as a result of the hurricanes. In cooperation with the government of Puerto Rico, the EPA has completed preliminary assessments at EPA-led Superfund sites, oil sites, and chemical facilities in Puerto Rico. The EPA identified no major spills or releases from these facilities. Approximately 285 of such facilities have undergone minor repairs.

In addition, submerged and damaged vessels can cause leaks. The government of Puerto Rico, the EPA and the U.S. Coast Guard are engaged in the recovery of submerged or damaged vessels. Multi-agency teams are locating and evaluating the condition of sunken vessels. Approximately 344 vessels have been assessed in Puerto Rico. The effort is EPA is disposing of recovered oil, batteries, and hazardous materials.

#### **FEMA**

*Question 1. Administrator Long said during his October 31 testimony to the Senate Committee on Homeland Security that the FEMA response was limited and not perfect, specifically saying, "I feel certain that this is probably one of the largest humanitarian missions we have ever undertaken in the United States." When asked about*

*FEMA's response to Puerto Rico, Administrator Long said, "Could we have done better, did we move as fast as people want, obviously in some cases no." Could you point out some areas where Federal cooperation can be improved moving forward?*

Answer. Administrator Long raised an important point when he commented that the critical issue is mitigating the problems before the disaster strikes rather than relying on restoration and recovery after the fact. Working together to build resilient infrastructure that can withstand a future natural disaster is where I believe the focus should be placed. Modifying to the Stafford Act to allow for Puerto Rico to build that infrastructure is the single biggest action that can be taken to avoid future issues.

*Question 2. Is FEMA getting in the way of rebuilding a resilient energy grid?*

Answer. Puerto Rico appreciates the efforts of FEMA and its personnel who have worked tirelessly to assist with Puerto Rico's disaster recovery. The structure of the Stafford Act itself, however, has created some challenges.

For example, the reimbursement structure contained in the Stafford Act assumes a state recipient with sufficient funds to advance costs and wait for reimbursement. It also assumes a level of state cost-sharing. When faced with catastrophic damage of the scale dealt by Hurricane Maria in Puerto Rico, state and local governments do not have the capacity to fund the non-Federal share. Recognizing this reality, 100 percent reimbursement has been provided by FEMA, within the current authority of the Stafford Act, in catastrophic disaster events. For example, 100 percent reimbursement was provided in Florida after Hurricane Andrew in 1992, and in Louisiana, Mississippi, Texas, and Florida after Hurricanes Katrina, Rita, and Wilma in 2005.

Puerto Rico's financial situation prior to the hurricanes has rendered reimbursement and cost sharing provisions even more impractical than previous 100 percent disasters such as Hurricanes Andrew, Katrina, Rita, and Wilma. In addition, FEMA has further limited the availability of permanent work under its Public Assistance Program—by directing that the 90 percent Federal cost share funding currently authorized can be funded only after negotiation of a “fixed estimate” cap on funding.

In Puerto Rico, the President has, to date, only authorized “large” permanent work projects (i.e., those with a cost greater than \$123,100) if Puerto Rico elects to perform the work as a “capped project” under Section 428 of the Stafford Act. However, Section 428 of the Stafford Act was enacted by Congress as a pilot program to give disaster grant recipients more flexibility in spending disaster relief funds—and the Stafford Act expressly provides that participation in Section 428 is voluntary. No other state, tribe, or territory of the United States has been ordered to utilize Section 428 for all large Public Assistance Program projects. While Section 428 may be desirable and appropriate for many permanent work projects, there are some that fall outside the intent of Section 428 (for example, certain public structure repair, vehicle replacement, etc.). The Section 428 estimation process is cumbersome and slow, as the estimation process alone will take months, and then be subject to appeal. Delaying response activity for 18 months will cripple recovery.

Additionally, while Section 428 provides great flexibility under the Stafford Act to redesign the damaged facilities in new ways, it is triggered by development of a “fixed estimate” of eligible costs that will require damage assessments and engineering design and cost estimation that for the most significant projects will take years. FEMA has further reduced even the flexibility available under Section 428 by directing that cost estimation on certain (as yet unidentified) large projects must be validated by expert panels that are yet to be created.

Even without the use of Section 428, the Stafford Act provides significant statutory flexibility to rebuild better and with greater disaster resilience. Indeed, although “net eligible cost” under the Stafford is determined “on the basis of the design of such facility as it existed immediately prior to the major disaster,” this design must, under the Stafford Act, be modified and improved for conformity with:

- current applicable codes, specifications and standards;
- Federal floodplain management standards—which can include rebuilding in accordance with advisory flood maps developed in light of Hurricane Maria; and
- hazard mitigation measures that are approved by FEMA under its “406 Mitigation” program.

Nonetheless, the way in which these provisions are implemented by FEMA can provide a strong incentive for FEMA to rebuild facilities only in accordance with pre-existing designs. It is much easier and faster to obtain approval of rebuilding

projects exactly as facilities existed prior to the disaster—without implementing the clearly necessary improvements that would result in a modernized and more resilient system. For example, a better and stronger Puerto Rico will require funds to build microgrids and underground power lines that are less susceptible to natural disasters. A modern Puerto Rico will also focus on renewables and building an energy grid that is less dependent on expensive imported fuels. Stafford Act funds should be permitted for use in the building of a new resilient infrastructure that will not be as susceptible to destruction in future storms.

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The CHAIRMAN. Thank you. I appreciate that. With all due respect to our guests, I don't know if you want to be treated the same way as we look at New York and New Jersey. Picture different states.

OK. Thank you. All right. I am going to do something slightly different here on the questioning period. Once again, 5 minutes is what Committee Rule 3(d) says. I will be cutting off everyone at 5 minutes so we can get through hopefully everyone here on the dais. I am going to ask my questions a little bit later in the sequence. I want some of the other people to have a chance of asking some questions first. Let me start with Mr. Young.

Mr. YOUNG. Thank you, Mr. Chairman. I want to thank the witnesses. This has been a trying period of time and a disaster for both your areas. I have had the privilege to be in Puerto Rico numerous times and also the Virgin Islands. Of course, you know my opinion about Puerto Rico is very clear. It always has been. I don't think you would have the problems you would have now if you were a state. Everybody takes a deep breath when I say that, but that is, I think, the way to solve this problem permanently. Keep that in mind. I am saying that.

Governor, in your testimony you state, "much of the bureaucratic red tape and arcane agency approval process of FEMA is driven by the assumption that the state level government dealing with a disaster will have functioning computers, telephones, and workforce that can navigate these obstacles." I want to know, how were PREMA or PREPA, or whatever you want to call it, employees able to finalize the Whitefish contracts if they did not have access to telephones or computers?

Governor ROSSELLÓ. Yes, sir. Here is the whole process. The RFI was established in between the storms of Irma and Maria for the aftermath of the Irma storm. It was only after Maria that that process continued. I have to say that I had no participation in working with this contract. I know that the CEO of PREPA will be willing to answer any and all questions in that regard.

But let me just reiterate my commitment with transparency, with clarity, with accountability is strong, it is firm. That is why I asked for two independent investigations on this, and I continue asking any investigation on any front to evaluate all of those matters and all of those details.

Mr. YOUNG. I understand that. My concern is this is not the first time PREPA has been looked at. That is probably the weakness you have in Puerto Rico, the infrastructure, electrical providing for the communities, and I hope if we rebuild it again and this Congress does it, it is built right.

Governor ROSSELLÓ. Yes.

Mr. YOUNG. And not telephone poles and that sort of thing built correctly because this is not going to be the only hurricane we ever have, so we have to rebuild it correctly, and I hope you are up to step on that.

Governor ROSSELLÓ. Yes, certainly, and let me talk a little bit to the Members about what is going on. As I said, we put in a procurement compliance officer. We are also working with thought leaders so they can support the PREPA governing board in terms of the vision forward and a strategy to design a novel grid. We are open to working with the private sector on this endeavor, as well. And we certainly want to change what has been a long history.

Listen, I have been in office for 10 months, and we have established a series of structural reforms in Puerto Rico that have been very aggressive, from labor reform to government as a single employer, P3 laws, and other economic development efforts.

Right now, our legislature is considering a bill that would help us rightsizes the government and make it more effective, as well as working with an overall procurement strategy that has taken a little bit of time, but certainly we are working with a whole set of initiatives that will make our government more effective and more transparent for the people.

Mr. YOUNG. Governor, by the way, this is a pretty good report that you put out. I want to thank whoever did it. You are asking for over \$90 billion. Is that correct?

Governor ROSSELLÓ. Well, this is the damage assessment. I will let Congress decide what should be the standard of how it is going to be distributed. My only ask, essentially two. Number one, follow what we have done here, we have worked with our government officials, but we have also worked with third parties so that we can validate the damages here in Puerto Rico.

Number two, more importantly, you know that Texas, Florida, the Virgin Islands, California, they all have their damages. What we are asking for is whatever framework you set, let it be an equal framework. Let us be treated equally as U.S. citizens relative to other U.S. citizens in the United States.

Mr. YOUNG. OK. The other thing, can Puerto Rico itself supervise, even with the government's commission, that large amount of money, or could you do it over a period of time to address the electrical problem, address the highway problem, just go down the line because that is an awful lot of money infused into a small economy at one time, and do you get the best bang for the buck? I am about out of time.

Governor ROSSELLÓ. We can certainly manage it. We have established an office based on the best practices of other offices from other jurisdictions, including New York, New Jersey, Florida and so forth, and we are willing to collaborate in this effort. We are willing to put controls in this effort, as well. Those are being discussed right now with the Federal Government.

Mr. YOUNG. Thank you.

The CHAIRMAN. All right.

Mr. Grijalva.

Mr. GRIJALVA. Thank you very much, Mr. Chairman. At last week's hearing on Puerto Rico, the meeting needed to be about the basic needs of the island's residents after the hurricanes. It should

have dealt with the great needs that the people there have, how we respond to the disaster and not use the hurricanes to weaken environmental or health safeguards for the people of the islands or impose greater restrictions on elected officials of the territories.

The case of Puerto Rico and the oversight powers, the case was made that the oversight powers will continue to need to be expanded, but the Federal Government should have additional oversight powers over the Virgin Islands, as well, and that has been a recurrent theme through the hearings, intimating or stating outright that the elected officials, elected leaders, and the people on the islands cannot deal with those consequences of that oversight that is needed.

Governor Rosselló, my question is, you pulled no punches when you say in your statement that if the Oversight Board's proposals to this Committee are adopted or somehow acknowledged or linked as a condition to future critical funding for Puerto Rico, they would effectively undermine the government's disaster recovery efforts and create unnecessary confusion.

Do you believe that no additional controls are necessary to ensure the accountability for the use of Federal funds?

Governor ROSSELLÓ. No, sir, that is not what it means. We believe in controls. We are actively pursuing controls. We are open to transparency. What we don't want is that the sovereign powers of the government of Puerto Rico over this Oversight Board get expanded and then start nullifying what it is that the people of Puerto Rico democratically elected.

Mr. GRIJALVA. Thank you. Governor Mapp, do the U.S. Virgin Islands support the imposition of the Oversight Board in terms of financial controls? And do you believe the territories demonstrated an inability to exercise necessary financial controls?

Governor MAPP. As governor of the Virgin Islands, I opposed the Virgin Islands including in the PROMESA statute even at our own request. The government of the Virgin Islands enjoyed an investment grade rating in the early 2000s. We have no general obligation debt. In point of fact, bond holders currently enjoy their payments right through the end of 2019. The 2018 debt service has been paid, and the market enjoys the full debt service payment for 2019 in an escrow account if we were unable to pay it. Our debt is serviced on rum and on consumption tax. Rum companies are producing rum, and Americans are buying it.

Mr. GRIJALVA. OK. Thank you. Governor Rosselló, the proposed trash incinerator that is opposed by both groups of mayors representing Puerto Rico, your position on that at this point?

Governor ROSSELLÓ. My position has been that if it clears regulations that it can go forward, but at this juncture there is still a lot of debate over that, so I am strictly establishing that this has to go through a path of law. If there is, in effect, a negative downside to the environment and it is proved, then I would oppose it. If it is not, then I would support it.

Mr. GRIJALVA. There is some discussion or at least initiatives to expedite that process, and with waiving environmental laws as part of the rebuilding that would be expedited almost automatically. Does that change your point of view in terms of waiting to see what those studies are?

Governor ROSSELLÓ. No. No, it does not.

Mr. GRIJALVA. And the opposition of the constituents that seem to be pretty strong in Puerto Rico relative to the consequences of this incinerator for 67 megawatts of energy—

Governor ROSSELLÓ. Do you want me to comment on the opposition?

Mr. GRIJALVA. Yes, absolutely.

Governor ROSSELLÓ. So, there again, I base my actions on the facts that I can get. I establish what my platform is for analyzing it. Does it have adverse effects to the environment that weaken a point to? If the answer is yes, we should look for another alternative. If the answer is no and they have every other permit available, they should go forward.

Mr. GRIJALVA. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Lamborn.

Mr. LAMBORN. Thank you, Mr. Chairman. Thank you for having this hearing. I want to thank both governors for being here.

Governor Mapp, on September 4 as Hurricane Irma was bearing down, you issued an Executive Order with the following language: "The Adjutant General is authorized and directed to seize arms, ammunition, explosives, incendiary material, and other property that may be required by the military forces for the performance of this emergency mission." Did any citizens have their firearms or ammunition seized as a result of your order, or how could this have even been drafted in the first place given the Second Amendment of our Constitution, which says all citizens have the right to keep and bear arms?

Governor MAPP. The language in the Executive Order did not intend to seize any weapons from citizens. That is language that has been used in every Executive Order, and in point of fact, there was a case where similar language was upheld. That gave the Adjutant General the authority outside of the procurement system if they needed to arm the Virgin Islands National Guard to be able to do that.

But there was no intent on anyone's part, and I don't believe I have the power to direct the Adjutant General to seize personal property from anyone without due course of law.

Mr. LAMBORN. I am glad to hear that explanation. The language is still very troubling to me.

Governor MAPP. I think the language is confusing to a number of folks, but that language has been written in every emergency Executive Order from the first elected governor of the territory, and at no time has the National Guard ever attempted to seize any weapon from any private citizen.

Mr. LAMBORN. OK. Thank you. And, Governor Rosselló, because you have called for two investigations into how the Whitefish contract came into being, I assume that you are not prepared to say today how that contract came about. Is that correct?

Governor ROSSELLÓ. No. The process is ongoing. I can relate what has been discussed, but certainly I want to wait for a full investigation to discuss the matter. What is important is that I called for its cancellation. The PREPA governing board abided, and there are two investigations ongoing right now.

Mr. LAMBORN. OK. I assumed that was the status, but with that in mind, if we haven't pinned down what actually happened, how can you call today for increased power for your office to take over more control of Federal funds while taking that power away from the Oversight Board?

Governor ROSSELLÓ. Taking what power away from Oversight Board?

Mr. LAMBORN. The control of the Federal funds that come to your island.

Governor ROSSELLÓ. The Oversight Board does not have that power. What I would say is, the Oversight Board has some clear powers, and it is important that everybody knows. The main components of the oversight is for us to have a balanced budget, for them to represent us on Title III, on the restructuring arrangements, and for us to open the doors to the open markets. That is not an administrative task. We have been working with the Oversight Board and of course with an Oversight Board we have had differences, but we have also worked together on many other fronts now.

Switching that to administrative control over funds is a completely different set of circumstances from what the Board is supposed to do. Right now, Title III is an important process, and the Board should focus on that process representing Puerto Rico and the government of Puerto Rico, as with the government of New York, New Jersey, Florida, or Texas.

We should be able to manage that process, and my commitment to you, sirs, is that we will have the most transparent process. We have already created an office for recovery and rebuilding. We have established the framework for a transparency portal where people will see how the money is being spent and what is the progress with that, and we have asked for control mechanisms on how the funding is utilized and so forth.

Mr. LAMBORN. Does the Board agree with you on your interpretation of what you say is a very limited role in administering funds?

Governor ROSSELLÓ. The judge agreed with me yesterday, sir.

Mr. LAMBORN. What about the Board?

Governor ROSSELLÓ. What about the Board?

Mr. LAMBORN. Do they agree with you or not?

Governor ROSSELLÓ. The Board went to court, so certainly it did not agree with that component, but again within law and the judge already ruled that those powers lay within the Commonwealth of Puerto Rico.

Mr. LAMBORN. I hope that transparency will extend as to the investigation on the Whitefish contract.

Governor ROSSELLÓ. Yes. And let me say something here. It is important to state that we are very much willing to work with the Board, with their powers, but we do not want to give out the sovereign powers of the government of Puerto Rico, the elected government of the people of Puerto Rico.

Mr. LAMBORN. I yield back.

The CHAIRMAN. Thank you.

Mrs. Napolitano.

Mrs. NAPOLITANO. Thank you, sir. Governor Rosselló, on October 30, you canceled the Whitefish contract. Until the day you

canceled, you reported more than 450 IBEW electrical workers, members working on the island are still on the island and ready to work. Does your government plan to use these members, very well trained members, to help the island's restoration plans? Are there any non-union contractors, self-contractors being brought in by Puerto Rico to work on your island?

Governor ROSSELLÓ. Right now, the strategy has been to use all available resources for Puerto Rico. We decided to go through a route with the Corps of Engineers because it was stipulated to us that based on concerns about actually bringing aid to Puerto Rico and the cost sharing of that, that with the Corps of Engineers they committed to us to starting immediately and to finishing within 45 days. That, of course, did not happen. As soon as we were seeing that this was taking more time, we took appropriate action. We asked a whole set of Senators and Congressmen to help us out in that regard.

Mrs. NAPOLITANO. Thank you. You are taking my time. I cede to Luis Gutiérrez.

Mr. GUTIÉRREZ. Thank you so much. First of all, I believe the hurricanes have created a tragedy of epic proportions for Puerto Rico. And part of my job, part of my mission, is to make sure that profiteers, pirates, and private interests do not try to get rich off the misery of the people of Puerto Rico. We have to stand up for them because we have stripped them of their self-government, accountability, and transparency of the duly elected government of Puerto Rico.

Governor, you and I have not always agreed, but you were elected by the people of Puerto Rico. Your responsibility is to the people of Puerto Rico, and you are accountable to them. I have always opposed PROMESA, and now I oppose using the hurricane as an excuse to give the control board even more additional powers.

Now, with the focus on Puerto Rico's grid, advocates for the proposed Arecibo incinerator are coming out of the woodwork trying again to get the incinerator up and running and fill their pockets with cash. It sounds like energy answers and the current control board are trying to get rich from the disaster on the island.

I have some questions for you, Governor. Are you aware of the control board's efforts to pave the way unilaterally to approve the incinerator in Arecibo?

Governor ROSSELLÓ. No, sir, I am not aware of that.

Mr. GUTIÉRREZ. Do you support the fast-tracking of permits and waiving of NEPA laws in order to build the incinerator?

Governor ROSSELLÓ. Particularly for the incinerator itself? No, sir. We need to evaluate what the effecting results on the environment will be.

Mr. GUTIÉRREZ. Do you believe the Board has the authority to choose who will build this incinerator and how it is built?

Governor ROSSELLÓ. No, sir. I think I explained what the Board's role is in Puerto Rico, and the data is not within its scope.

Mr. GUTIÉRREZ. Well, Mr. Zamot, the Revitalization Coordinator who was stripped of his revitalization powers yesterday by the courts in New York, made a statement last week at a hearing of this Committee that he sees the incinerator as something under his purview. He said he was going to call for public hearings, but did

not make a commitment, so I am happy to hear that you are making a commitment to continuing the permitting process so that we follow the laws as established before any incinerator is built in Puerto Rico. I think that is a step in the right direction.

Let me just ask you one thing, do you believe the incinerator is a response to a landfill issue or generation of energy?

Governor ROSSELLÓ. Landfill. If you look at the energy production that it would have, it is relatively small compared to the waste needs in Puerto Rico.

Mr. GUTIÉRREZ. I agree with you, Governor, yet Congresswoman Nydia Velázquez and I met with the outgoing Secretary of Agriculture, and he says they are asking for like \$750 million but they are asking it from the rural utility board. That is to create energy not to deal with landfill. So, I think they would have quite a problem, and I just want to alert you that the Federal Government probably would have an issue since they are owed \$2 billion previously, so we might want to look for another way to deal with the energy grid.

Let me just say in closing in the last 20 seconds, look, I am not going to support the Congress of the United States giving additional powers to the control board because I think they are out of control, and I think they are not accountable to anybody, and they are not transparent. And I would just like to say to the Chairman, I only wish that they would be as transparent as we are as Members of Congress in terms of the using of our funds.

The CHAIRMAN. Mr. Gutiérrez, your time is expired. I recognize Mr. Wittman.

Mr. WITTMAN. Thank you, Mr. Chairman. Governor Rosselló, thank you so much for joining us. Governor Mapp, thank you so much, too.

I wanted to ask Governor Rosselló, can you give your perspective on where things are today. I get calls on a daily basis from Puerto Ricans here in Virginia that are concerned, many different groups working diligently there in the country on behalf of fellow Puerto Ricans.

The issue in their mind is both a short-term and a long-term one. Give me your perspective on how you see today the basic elements of food, water, and shelter for Puerto Ricans, and what is happening between the Puerto Rican government, FEMA, and DoD in meeting those needs. And, then, are you properly transitioning so it is not just bringing water to citizens, bringing food to citizens, but making sure that we get that infrastructure back up, water systems with filtration, vector controls, all those things.

Give me your perspective because I hear a lot of different things back here stateside about what is happening there, and I wanted to get your perspective on that?

Governor ROSSELLÓ. Thank you for the opportunity. The reality is this has been a massive devastation, and it has taken time for us to reach different parts of Puerto Rico, but now we are turning the corner. While it was true that at the onset the priority was to get food, water, and medicine to the people of Puerto Rico, right now those needs are being met, so much so that many of the mayors are actually asking not to be receiving food and water in different parts of Puerto Rico.

The truth of the matter is that turning now toward a view of recovery, our focus should be getting the energy grid back up because so much of the essential areas of Puerto Rico, hospitals, telecoms and otherwise depend on energy. If we don't expedite that process, if we don't put the manpower in there, we are going to stand to have other side effects which concern me, such as public health emergencies, mental health emergencies, more problems with infrastructure collapsing based on rain events.

I think we are turning the corner. It has taken time, no doubt about it, but this has been, make no mistake about it, probably the biggest catastrophe in the history of Puerto Rico and one of the biggest in the United States.

Mr. WITTMAN. What is the biggest impediment for you to quickly get the power grid back up, to quickly get critical transportation infrastructure back? I saw the pictures of the Chairman at a washed out bridge, and we all know that you cannot move, especially up into the less populated areas.

Give me your perspective on the urgency that you and others, Federal agencies, are pursuing with that, and give me an idea about when you think that can be achieved. Because I agree with you, the most critical element is getting those pieces of infrastructure back up and functioning as quickly as possible.

Governor ROSSELLÓ. First of all, I would like to say that I think our team gave some of the pictures and some of the images for those of you that have not been there. The first couple of days, roads were unpassable. The DoD came to Puerto Rico, about 15,000 effectives, and they helped manage opening a lot of the roads. Still, we have over 97 bridges that have collapsed, over 42 roads that are closed that we need to access, and some that we are really going to have to rethink.

In terms of the energy grid, I put some milestones that were thought to me to be too aggressive at one point. One of them was getting 50 percent by tomorrow. We are going to get to 50 percent by tomorrow. Other estimates, say by the Corps of Engineers, originally had that 50 percent mark at the end of February. At the end of February. That is simply unacceptable.

And what we need to do in order to get there, sir, we need materials. We need manpower and man hours working on the grid, and it is going to correlate how fast we do it with how many people and how much material we have over there.

Mr. WITTMAN. I know that there are a number of power utilities here in the United States that are willing to send materials, power poles, wire, the things that you cannot materialize quickly to the island there. I hope you are looking to take advantage of their offers and their expertise in helping the design because I think one of the keys for Puerto Rico, and I am sure you feel the same way, is we want to make sure that along with the governance in Puerto Rico that this is a long-term effort, where we make sure we rebuild the power grid not just for today but for the next century, so that this investment truly results in an economy there that is self-sustaining.

I just want to get your perspective on where you think and how aggressively you can pursue that. I think there is a lot of willingness to help.

Governor ROSSELLÓ. Yes, we have been aggressively pursuing it for the past 10 days. We have been trying to get those mutual aid agreements. Some of them have not been formalized, and this is concerning because these are supposed to happen fairly quickly, and we have been waiting 10 days for these. Some of them are starting to materialize. Some have not.

Mr. WITTMAN. Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. Mr. Huffman.

Mr. HUFFMAN. Thank you, Mr. Chairman, for holding this hearing. I consider this an opportunity for this body to act in a bi-partisan fashion to address the humanitarian crisis that is gripping Puerto Rico and the U.S. Virgin Islands.

I just want to assure our friends from these territories as a Representative from a region that has just been struck with the worst fire disaster in American history, it is really clear to me that when these natural disasters strike we are all in it together, we are all Americans, and we need to help each other and do the right thing. So, thank you for being here.

I do have a quick question, and then I am going to yield the balance of my time, with the Chairman's permission, to one of my colleagues. I know that before the hurricanes hit, at least in Puerto Rico, there were some big environmental justice issues with your energy supply, 99 percent of Puerto Rico's energy relied on imported oil and fossil fuels, expensive for local communities, harmful to the local environment. I was pleased to see last month that Tesla worked with you to help restore power to a children's hospital on the island using solar panels.

Governor, I was pleased to see you support that move and really pleased in conversations with Tesla's CEO Elon Musk that you described renewable energy as a new avenue for Puerto Rico to pursue to provide electricity going forward.

Installing microgrids in association with this has been hailed as a great way to increase the resiliency of the island's power system for future hurricanes that you are likely to face, and I would guess that the same would apply to the U.S. Virgin Islands.

So, for each of the governors, I would like to ask you your thoughts about that very briefly and what, if anything, do you think the Federal Government can do to help you along this path of clean energy, which seems to have so many multiple benefits for you?

Governor MAPP. Thank you for that question. Before the storms, several years ago, we had set an objective of getting to 30 percent renewables by 2025. By the time the storms hit, we were one-third the way in. As part of our request, we do want to add wind and more solar to the grid, and we want to do microgrids and get most of the primary and secondary roadway systems power underground and then have satellite aerial systems in the neighborhoods.

Mr. HUFFMAN. Governor Rosselló?

Governor ROSSELLÓ. Yes, we are committed to renewable energies in Puerto Rico, and we had a path forward prior to the storm. After the storm, there are now other opportunities. That is when I challenged the CEO of Tesla solar to show that it was scalable in Puerto Rico. They have done so for a hospital, but they have also done other humanitarian efforts without announcing it.

I think our goal would be in the midterm to leapfrog from less than 2 percent renewables to about 25 percent renewables. I think we need to change the way that we generate energy. We are generating most of our energy in the south. Most of it is consumed in the north. About 12 to 15 percent of it gets lost in transmission. I think we need to think about those microgrids, particularly in Puerto Rico, because the last mile effort of trying to get to some of these isolated communities if we do these microgrids or off-grid efforts they will be best served for those people in those communities.

And last, we do a lot of generation of petroleum-based product. I think we need to start the transition toward cleaner gas generation, as well, and do it in the north so that we are more effective.

Mr. HUFFMAN. Thank you, Governor. Many of us stand ready to help you along in that effort, and Mr. Chair, with your permission I would yield the balance of my time to my colleague, Mr. Gutiérrez.

Mr. GUTIÉRREZ. Thank you so much for yielding the time. I just want very quickly, Governor, do you believe that the Congress of the United States should expand the power of the control board over the government of Puerto Rico?

Governor ROSSELLÓ. No.

Mr. GUTIÉRREZ. Do you know that they requested expansion of their role and capacity last week?

Governor ROSSELLÓ. I do, and I oppose that.

Mr. GUTIÉRREZ. Thank you. And it went to court. What did the judge say about expanding their power over the utility company in Puerto Rico?

Governor ROSSELLÓ. Yes, they said that they rejected that claim.

Mr. GUTIÉRREZ. That isn't part of the promise of PROMESA to this?

Governor ROSSELLÓ. That is right. It is extending the powers beyond what PROMESA gave the Board.

Mr. GUTIÉRREZ. I appreciate your commitment to the transparency and also I would like to add just for the record that all Members of Congress need to hand these in. This has even a cup of coffee when a staffer leaves on travel their lodging, car payments, utilities. Everything is in here. Every one of us does this. This is what the control board of Mr. Carrion sent me. Nothing. They said they get \$31 million from the government of Puerto Rico and then they send you a pie chart. That is not transparency. If we are going to change the rules we should change the rules to have more transparency.

The CHAIRMAN. Your time is expired. Mr. McClintonck.

Mr. MCCLINTOCK. Thank you. Governor Rosselló, first of all, as I said at our last hearing the damage that your Commonwealth has suffered is appalling and your Delegate has kept us focused on those concerns. But we all know that the Commonwealth was also suffering a severe infrastructure collapse because of gross fiscal mismanagement before the hurricane, loss of access to capital markets. These are acts of government.

Then it was hit by two Category 5 hurricanes. Those are acts of God. Acts of God are the responsibility to repair by the Federal Government. That is part of the social contract of our Federal

union. But acts of government are the responsibilities of that government's citizens. And one of the problems we have is in distinguishing between the unavoidable damage caused by the hurricane and the avoidable damage made by a lot of bad decisions by the Commonwealth over the years.

Can you give us some guidance on that?

Governor ROSSELLÓ. First, let me start by saying I have been in office for 10 months, and we have been executing and implementing structural reform after structural reform so that we can address decade-long failures in leadership and execution.

We have been doing that, and we will continue to do so as well, sir, because our commitment is to change fundamentally the way that government operates so that it is more effective and more transparent.

In terms of the damage, let me do a comparison for you. When Irma hit Puerto Rico as a Category 5 within the north, it skidded off. We had damages and only 25 percent of the energy grid was working. Because of the hard work of the employees at PREPA, we got it to about 97 percent prior to Maria hitting land. We were rebuilding Puerto Rico again after that storm, so much so that Governor Mapp can attest, we also went to aid the other islands, Virgin Islands, Martinique.

Mr. MCCLINTOCK. I appreciate that, but again, I am trying to get some guidance on how we distinguish the previous damage to the infrastructure caused by the government as opposed to the damage caused by the hurricanes.

Governor ROSSELLÓ. Had that Category 5 Maria hurricane hit any one of your jurisdictions, it would have been the same catastrophe. It would have been the same catastrophe. And trying to sort of look at it as—

Mr. MCCLINTOCK. But, again, our Committee was receiving many, many reports. We had many hearings on PREPA's inability to keep the lights on before the hurricane hit malinvestment, mismanagement of funds. I mean, we can go through the long litany—

Governor ROSSELLÓ. That is right and I agree with all of them.

Mr. MCCLINTOCK. Those are not the responsibility of the Federal Government. Those are the responsibility of the Commonwealth.

Governor ROSSELLÓ. Right.

Mr. MCCLINTOCK. Our responsibility is to assist in the unavoidable acts of God. We are also responsible for bad decisions made by the Federal Government, and perhaps you could offer us some guidance on what we can do in the long-term to remove obstacles to the Commonwealth's prosperity.

I mean, the Jones Act has been discussed at a number of our hearings. What suggestions can you offer us in that regard?

Governor ROSSELLÓ. My main suggestion, equal treatment as U.S. citizens. That encompasses everything. If Puerto Ricans would be treated equally under every one of the circumstances, we would not be having a lot of these problems, sir. I recognize that there were a lot of damages—

Mr. MCCLINTOCK. Equal treatment then would include the treatment of bad decisions by the Commonwealth being the responsibility of the Commonwealth, not of the Federal Government.

Governor ROSSELLÓ. Equal treatment would mean equal treatment under everything. Under everything for Puerto Rico.

Mr. MCCLINTOCK. Governor Mapp, speaking of treating the territories as the states, our staff report quotes a *Reuters* article published concurrently to Hurricane Irma's arrival. They report it was discovered that the Virgin Islands had redirected money intended to help pay insurance claims after large disasters for other needs, raising the vulnerability of residents. The piece notes, the U.S. Virgin Islands has transferred over \$200 million from the fund since 2007 and highlights a governmental decision to decrease an amount in the fund from \$50 million to \$10 million.

Obviously, this raises the question of how can we trust that funds appropriated by Congress administered by the Virgin Islands will actually be used for their intended purpose?

Governor MAPP. First of all, there was no fund set up to aid victims of a disaster. What that is referring to is what we call the Insurance Guarantee Fund. We tax insurance premiums, we put it in a fund to—

The CHAIRMAN. I am sorry. That is the red light here. We have to get everyone in here.

Ms. Bordallo.

Ms. BORDALLO. Thank you very much, Mr. Chairman. First, I would like to greet the governors, Governor Rosselló and Governor Mapp. Thank you for making the trip to Washington. We appreciate it. I am from Guam.

My question is to both of you, what additional FEMA and other Federal disaster relief resources have you requested from this Administration, and what have you actually received from those requests?

I will take Governor Rosselló first.

Governor ROSSELLÓ. OK. We were in conversations so that we can get cost sharing, the cost sharing increase. We could use the 428 provision so that we can identify what the costs of the damages were, agree on an assessment, and then use that sort of as a block grant alternative to have more flexibility to rebuilding. But certainly what we are asking for the future, I think is more flexibility in general.

Rebuilding an energy grid, for example, or anything that is outdated, that is not going to be effective. It is just not a good use of taxpayer money. It is better to be flexible, do it right, and then you can mitigate toward the future.

Ms. BORDALLO. And, Governor, you have made these requests already; is that correct?

Governor ROSSELLÓ. We have made those requests and we have—

Ms. BORDALLO. And what is cost sharing?

Governor ROSSELLÓ. The cost sharing right now is of the permanent work, what is called the permanent work in FEMA. It starts with 75 percent, and 25 percent from the state. We asked for it to be increased to 90/10.

Ms. BORDALLO. All right. And Governor Rosselló?

Governor ROSSELLÓ. No, Mapp.

Ms. BORDALLO. Governor Mapp, I am sorry. Governor Mapp?

Governor MAPP. Thank you very much. Yes, we have received, in terms of financial support directly to the government and its instrumentalities for the work going on so far, about \$110 million. We are stuck on the issue of the immediate repairs to houses. We have houses that don't have frames so can't do the blue roof. And FEMA has approved \$20,000 on average for the permanent repair to the open roofs, homes that are breached.

However, that is completely insufficient to repair those homes. And as a contrast, the Army Corps of Engineers has provided up to \$25,000 on average to put up tarpaulin on a roof that has a frame. And we are now, I think the third week in, trying to work with FEMA, that we cannot fix a home for \$20,000 if you determine it takes \$25,000 to put on a tarpaulin. That is the issue.

We have requested, we are asking this body to waive, in a number of categories, the amount to share, the 10 percent share. We have been approved for the 90 percent. And I am going to meet with the OMB Director on Friday, the Federal OMB Director, to work on this particular request. But I would say in a great way, a good deal of the support we have requested from FEMA, it has been provided.

Ms. BORDALLO. All right, so your share then is 10 percent?

Governor MAPP. 10. 10/90.

Ms. BORDALLO. 10/90. And Puerto Rico is—

Governor ROSSELLÓ. 10/90 as well.

Ms. BORDALLO. 10/90. The same?

Governor ROSSELLÓ. Yes, that is correct.

Ms. BORDALLO. All right. My next question really quick, because I have very little time. The Virgin Islands like Guam mirrors the Federal tax code. Congressional Republicans unveiled their tax plan which gives no quarter for territories with mirror tax codes. How do you answer that?

That goes to, of course, Governor Mapp.

Governor MAPP. Of course, we have been long asking for the permanency on the rum revenues at the full \$13.50. We are asking for, which the Feds made available to us, the earned income tax credit, but that is paid out of the local Treasury. We are asking that that be funded by the Federal Treasury. And we don't know yet what the tax plan is going to provide, but there are some provisions and changes we are asking for in the Job Act that deal with source income that can help grow the economy of the Virgin Islands and provide jobs that if the reduction in the tax rate, we have more motivation or incentive for investment into the private sector.

Ms. BORDALLO. And my final, real quick question, just a yes or a no—when you get your monies from FEMA and whatever help, are the residents building better? I mean, quality construction, rather than tin roof and wood, or whatever?

Governor ROSSELLÓ. We are working to establish stronger codes so that we can push that agenda. Of course, we are just on the onset of the storm, but our aim is that.

Ms. BORDALLO. And the same for you, Governor Mapp?

Governor MAPP. No. We, again, that is the issue on the "fix the roof." We are into tarpaulins right now, not permanent repair.

Ms. BORDALLO. All right, my time is up. I yield back.

Thank you.

The CHAIRMAN. Thank you.

Mr. Thompson.

Mr. THOMPSON. Governors, thank you so much for being here. Thank you for your leadership during these difficult times with these natural disasters. But just real quick, I was pleased to be joined by a number of my colleagues who are in the room here, last week on the Floor talking about the responsiveness of the U.S. Department of Agriculture with our disaster nutrition programs.

I chair the Nutrition Subcommittee on Agriculture, and am very aware of what I think looks like great work that our folks at USDA with SNAP-D and waiver programs, and all the different things. And I know they continue to work closely with you on that.

Governor Mapp, my question has to do with really just a follow-up to my colleague in terms of accountability. On September 29 this year, the Department of the Interior Office of Inspector General, issued a report entitled, "Significant Flaws Revealed in the Financial Management and Procurement Practices of the U.S. Virgin Islands' Public Finance Authority." The report found that PFA did not provide reasonable assurance that financial transactions and related reports were accurate as evidenced by the \$50 million in financial reporting discrepancies, conflict of interest, and the 101.1 million in questionable expenditures.

There were 21 recommendations that were made to your government, of which 4 were partially concurred with, but another 7 were disregarded. And you come before Congress today seeking \$7.5 billion dollars for, I know, significant needs that exist. And the \$7.5 billion in Federal funds, some of these funds will likely end up being distributed by the very Public Finance Authority that was subject to the Inspector General's audit.

First of all, why did your government disregard specific recommendations, including the recommendation that your government, and I quote, "develop and implement procurement policies and procedures for professional services to ensure that valid contracts are in place before paying contractors and vendors."

Governor MAPP. First, let me say that the Public Finance Authority audit occurred in the period before my time. And the biggest provision of the Public Finance Authority's questions came around the Diageo agreement with the Diageo Rum Company. And the record is clear, that in 2007 I testified as a citizen before the legislature on provisions within that particular contract.

When we came into office in 2015, I chaired the Public Finance Authority. We adopted a series of procurement responsibilities and rules and regulations and implemented technology provisions for the accounting area of the Public Finance Authority. We disagree with the Inspector General that all provisions of work in the Public Finance Authority should be identical to the procurement practices in the central government. Should bond counsels and bond financial advisers simply be the guy that can bid the cheapest, as opposed to entities that can demonstrate capacity in the appropriate advice for financial transactions and investments?

The point here is that a good number of the issues raised in the Public Finance Authority report with respect to the Diageo agreement, I have already directed the Attorney General and the local Inspector General office to do a full audit of all of the receipts and

all of the disbursements under that agreement, and where appropriate, seek reimbursement for those questionable outlays.

Mr. THOMPSON. But, I mean, I think you see where—

Governor MAPP. Sir, let me mention that I served as the Director of Finance and Administration of the Public Finance Authority from 2002 to 2006. And the audit report for that period did not have the kind of questions that were contained in this audit report that covered the period from 2007 to 2014.

Mr. THOMPSON. So, with that, since the time of that audit, what has been put in place to provide better fiscal transparency and accountability so that there is a level of confidence that funds are properly expended and spent for the purpose for which they are—

Governor MAPP. We have limited the disbursement amount by the administrative staff to an amount, I believe, \$75,000 or less. They would have to have Board approval. We are required that contracts done on behalf of the central government are fully vetted through the Department of Property and Procurement, signed off for legal sufficiency by the Attorney General, and then when they approve the authorization to issue payment to vendors, that it is done.

We have removed them from the Excel spreadsheet of doing accounting, and implemented an automated accounting system that can track the income of receipts on behalf of the government and disbursements to the agencies and the vendors.

Mr. THOMPSON. Thank you, Governor.

The CHAIRMAN. Thank you.

Mr. Beyer.

Mr. BEYER. Thank you, Mr. Chairman.

Governor Rosselló, I was deeply disappointed at the rate of recovery of potable water. Today, I think we are only at about 90 percent available after 55 days. And I am also deeply distressed about stories of Puerto Rico drinking from Superfund sites because it is the only available water and reports of leptospirosis bacterial disease, which has led to at least some deaths spread by contaminated water. So, as we think about future storms, what could FEMA have done better to get supplies into the interior and to rapidly regain potable water for the Puerto Ricans?

Governor ROSSELLÓ. Let me just say that the Department of Defense was tasked with opening up those roads so that we can get to the different areas of Puerto Rico. FEMA was bringing in a lot of the resources, water and so forth.

Really, sir, this was a very catastrophic event. A lot of things, if you will, a perfect storm, aside from the logistics on the local level, just going through the roads, we had logistical problems bringing in things to Puerto Rico. Adding to that context, the reason why the water, or the distribution of water went down so profusely after the storm, is because it is heavily dependent on our energy grid. So, as soon as the energy grid went down, the water distribution went down.

Here is why, again, we need to start thinking about these off-grid generation sites or micro-generation sites. If you have a more resilient and reliable generation system attached to some of these water

and sewer plants, you could have the storm and they could still be functioning.

I think going toward the future, what I would look for is, aside from modernizing the energy grid, making sure that these very dependable sites for life sustainment have ways and a means to being effective.

Mr. BEYER. Governor, while we are on the energy grid, it is my understanding that the Stafford Act limits the Army Corps to rebuild better. That they can only rebuild to what already existed. And this is what they relayed in an Energy and Commerce hearing last week. Shouldn't the Army Corps be helping to build back a better, more resilient grid than what existed before?

Governor ROSSELLÓ. Yes, there are two parallel tracks here, sir. Number one, there is the effort of trying to put back together the energy grid so that we can power Puerto Rico. And then there is the other longer term goal of renewing and re-establishing a better energy grid.

The mission statement for the Corps of Engineers, and I think it is what they are designed to do, is only to put back together the grid. But I do agree that we need to get some more flexibility. I have spoken to several Congressmen, Congresswomen, Senators and so forth, and none of them seem to agree with the notion that we should put back together—or very few of them—that we should only put back together again what was there in Puerto Rico.

Aside from being a bad policy decision, it is bad for taxpayer money. It is going to come down again, so we better flexibilize that so that in future events, we can start rebuilding better and more effectively.

Again, I remind you, we did not pick the storms coming through Puerto Rico and through the Virgin Islands. They just did. Right now, we just need to see how we can rebuild better and stronger.

Mr. BEYER. Governor Mapp and Governor Rosselló, I am hearing from numerous Virgin Islands and Puerto Rican connected constituents in my district, who are worried about the kids being able to go to school. They say the schools are still being used as shelters in many cases. Is there something we can do, or the Department of Education can do, to help get these kids back in school?

Governor MAPP. In the Virgin Islands, all of our schools are back in now, they are back in on double sessions. Because nine of the schools were blown away, they are back in where they are sharing schools, but all of the schools are open.

I do have the problem of struggling for appropriate sheltering for folks who don't have homes. I do have folks in homes and apartments that are breached, that roofs are not properly on, where water is coming in. But to your question in terms of the short answer, the children are back in school. They are not in the best condition that they can be in school. It is the response to the disaster. And with your support, we hope to get at least—I don't want to replace nine schools, I only need to replace six of them and to make them more resilient. But I don't have anyone sheltering in schools as of today.

Mr. BEYER. Governor Rosselló, in 25 seconds or less.

Governor ROSSELLÓ. Our scale is different, of course. We have opened 839 schools. We still have more than 200 that are closed.

Some of them have severe damages. There is something that can be done. There are several programs within the Department of Education that can help. And, of course, in our damage assessment over here, we have identified programs within the Department of Education that can help us rebuild better and give much needed services to the kids.

Mr. BEYER. Thank you very much.

The CHAIRMAN. Thank you.

Mr. Tipton.

Mr. TIPTON. Thank you, Mr. Chairman. Governors, thank you both for taking the time to be able to be here.

Governor Rosselló, you just held up the damage assessment. I believe both you and the Oversight Board have identified liquidity as a major problem that you are facing in Puerto Rico. Right now, can you give us an idea of how much Federal assistance you will need for liquidity purposes, dollar amounts?

Governor ROSSELLÓ. For the short term, in your previous supplemental, Congress gave access to CDLs for Puerto Rico for about \$4.9 billion. Those should help within the short term. Of course, we are now getting aggregate assessments on how this is going to turn out in the long term.

Mr. TIPTON. And what is that dollar amount long term?

Governor ROSSELLÓ. That dollar amount long term, we don't have it right now. We have the dollar amount of the rebuilding process not on the liquidity side.

Mr. TIPTON. OK. I guess I would like to be able to understand what you were doing from a governmental standpoint in terms of being able to actually provide that liquidity. I understand that you signed an Executive Order to be able to eliminate the sales and use tax. Is that one of your primary revenue generators?

Governor ROSSELLÓ. Yes, but here is why we did that. It is an emergency measure. It is an emergency measure that has been implemented in other states. As you know, in devastation such as this, about 40 percent of small- to mid-size businesses close forever. Right now, we don't have a telecom system, so we don't have energy. A lot of our revenues were not even being collected.

What we decided to do was in order to give breathing room, sort of a bridge, it is not a long-term proposition, actually, it is until December 31, is to allow these small businesses to not have to charge or pay for that sales and use tax so they could operate more effectively.

Mr. TIPTON. I understand that idea of the short term end of it. Was this something so the resources will be used to be able to address hurricane damage, which I believe is the understanding under the PROMESA, the Oversight Board, to be able to do that? Did you have consultation with the Board before suspending those taxes? Because liquidity, again, obviously is going to be critical, ultimately, for the community.

Governor ROSSELLÓ. I understand. I decided to take an executive decision on that front. Again, it is a short-term decision. The things that I have to balance in thinking about liquidity was the long-term liquidity. If those measures allow us to keep more small- and mid-size businesses open, then, of course, in the mid to long run it will be much better.

Mr. TIPTON. I understand that, sir. Our time is fleeting here. Did you run that past the Oversight Board?

Governor ROSSELLÓ. Did I?

Mr. TIPTON. Did you run that idea past the Oversight Board?

Governor ROSSELLÓ. No, I didn't. I didn't have communications with—

Mr. TIPTON. Did they send you a letter requesting that you actually do consult with them since we are going to be dealing with Federal dollars?

Governor ROSSELLÓ. They sent me a letter about a longer term revenue-generating policy. I agree that when we are talking about tax reform in Puerto Rico, we will, of course, discuss and consult with the Oversight Board.

Mr. TIPTON. So, you didn't feel that that fell under that category?

Governor ROSSELLÓ. I did not feel that that fell under that category.

Mr. TIPTON. I would like to, I guess, be able to have a better idea of where you see that Oversight Board actually playing a real role, dealing with limited dollars that are going to be available given the number of challenges that we faced. Puerto Rico, the U.S. Virgin Islands, Texas, the Gulf states, a lot of challenges to be able to do that. But on the Oversight Board that you are dealing with, what role do you see them really playing, and are you willing to be able to cooperate with them to achieve those goals?

Governor ROSSELLÓ. We have been cooperating. I mean, this is not about “are we willing to cooperate.” We already designed a fiscal plan that was certified by the Board. We worked together on getting a budget passed under those circumstances. And again, the three main components of the Board are working together for Title III restructuring. We have been working with the Oversight Board on that, and we think it is an important task that needs not have divided attention.

Number two, on the budget fronts, limit the amount of expenditures so that we can balance the budget. And, Number three, helping us get back into the markets.

Those are the three distinct objectives of the Oversight Board. We are willing, and we have been willing, to collaborate on those. What we are not willing to do is give our sovereign power to the Oversight Board.

Mr. TIPTON. I guess just from the standpoint in terms of the actual oversight that is going to be going on, the Federal dollars, it is a little disturbing from a liquidity standpoint, that is going to impact your credit ratings, you have cut off, apparently, one of your major revenue sources in the sales and use tax.

Even in that short term, long-term consequences of that may be counterproductive to the goals, I think, that we would all like to be able to achieve. That is going to be financial stability and a recovery for the people on the island.

Governor ROSSELLÓ. Let me talk a little bit, because I think it has been overstated—

The CHAIRMAN. I am sorry, 5 minutes is 5 minutes. I apologize to you. I don't like to cut you off, but I have no other choice.

Ms. Torres.

Mrs. TORRES. Sorry, Governor. It is my turn.

Thank you again, Chairman Bishop, for hosting this meeting, and thank you for including me in the trip that we went on to visit both islands. It was quite an eye opening experience. Governor, thank you for giving us the courage to climb that bridge with you.

I visited both islands, and it was very upsetting to see the damage from a very personal perspective. To see the hospital in the Virgin Islands where black mold is above where people are being treated; to see, still, trash cans holding back the rain that is dripping from the hospital's roof that collapsed; to see the watering stations in Puerto Rico that DoD has just installed. When you talked about the 90 percent of people in Puerto Rico having access to water, does that include the water stations or does that include actual infrastructure that they have potable clean water to their home?

Governor, you also mentioned P3s, but I cannot find any information in this booklet that you provided where it outlines how you are going to provide opportunities or open opportunities for private investors to come in and help you rebuild the infrastructure.

Some of my colleagues on this Committee have heard me talk about opening opportunities to create infrastructure. If you are rebuilding roads and bridges, as you need to do in Puerto Rico, what are you doing to bring in financial partners to help you also build the electrical grid underneath those roads, under those bridges, to bring the platforms that Verizon and AT&T would require in order to bring about Internet access to all areas?

And I am sorry to have to say this, but some folks need to be evacuated from their communities. Because every day that it rains, and you are still in winter, rainy season in Puerto Rico, you have roads that are still being damaged by hillside slides.

I am very concerned about the lack of housing, temporary housing, not just for the people of Puerto Rico, but also for the people in the Virgin Islands. To date, I know 100,000 Puerto Ricans have left the island. I didn't read anything in here, and I just briefly looked at this, what are your plans to help recruit, to bring back those people to the island to rebuild, as this Congress continues to give you money?

We don't want to just give you money to bring outside labor from the mainland. We want to make sure that the people of Puerto Rico have the first opportunity to apply for those jobs that are being created to rebuild the island.

Governor ROSSELLÓ. OK. Let me see if I catch all of that. First of all, let me say that we do submit weekly liquidity reports to the Oversight Board, and if there is a concern about liquidity, let's consider Puerto Rico in the Federal tax reform. Let's not leave it out. Let's consider Puerto Rico and how we can create jobs there.

Number two, in terms of the 90 percent, it is 90 percent access to water. Again, we still are suggesting that people boil and go through certain processes, but certainly 90 percent is much higher, it is starting to—

Mrs. TORRES. But is it 90 percent because they are actually going to water stations and bringing water home?

Governor ROSSELLÓ. No, no, no. It is access to their homes. It is access to their homes.

In terms of P3 structure, we have what we think is the gold standard P3 structure in law. It is our first law as amended of our administration. It allows for solicited and unsolicited proposals. We have already received a whole set of unsolicited proposals. What happens at that juncture is, we can go and say we like one of those proposals, we publicly state it, and other stakeholders can then request to do an RFP so they can be part of it.

Mrs. TORRES. Just don't build a road, and a bridge, and a highway and then have to come back and have the electric companies come and re-dig that up because they need to put infrastructure underneath.

Governor ROSSELLÓ. That is why we are doing it all together under one hub office so that it is rational, so that it makes sense, it is intelligent going forward.

Mrs. TORRES. One environmental impact report.

Governor ROSSELLÓ. Yes, so all of that. In terms of the housing and bringing people back, I have 9 seconds, we already allowed the TSA, so there will be repatriation. And, Number two, if we get the resources to rebuild, people will come back to Puerto Rico to make it stronger.

The CHAIRMAN. Thank you. And you are watching the clock without me having to say anything.

Mr. LaMalfa.

Mr. LAMALFA. Thank you, Mr. Chairman.

First, welcome, governors. Our hearts are with you on the struggle you are having there. And, of course, the top priority continues to be the immediate assistance for humanitarian purposes there, and restoration of the grid. At the same time, my deal would be restoring of the grid where practical and upgrade as we go—not just build it, patch it up, put it together, and have to come back and redo it to make it better long-term, but for the long-term aspect of PREPA being better able to deliver over many decades. And that is the thing, kind of playing off what Mrs. Torres was saying, do it in a way that makes sense.

How many projects have you seen around here, at home, where they go through, they fix the road, they repave it, and oops, we forgot to do the underground pipeline, or the electrical or the utility, or what have you. And then dig it up again. We need to move legislatively to make it where that can be done so that FEMA dollars can actually be layered over upgrade dollars and do it at one time. Indeed, where it is practical. Obviously, we want to get everything turned back on for folks because we have people normally living in a house, now under a tarp or something. That doesn't cut it.

So, Governor Rosselló, following back up, you were making a point with Mr. Tipton. I wanted to follow up, again with the order to exempt the sales and use tax from the smaller businesses, which I can see that, to kick start. But I guess the question he had and I wanted to follow up with is on the consultation of the Oversight Board.

Why was that not done in this case, please?

Governor ROSSELLÓ. We really did not have much communication some of those days. Again, I felt that it was a short-term effort. I did receive the letter for us to collaborate in terms of the longer

term tax reform that we would promote in Puerto Rico. And I am committed to doing so.

As a matter of fact, our Secretary of the Treasury has met on plenty of occasions with the Executive Director and with the technical team in that effort.

Mr. LAMALFA. That is a very important thing to have a good faith, two-way operation here on that.

Governor ROSSELLÓ. If I may——

Mr. LAMALFA. Yes, you wished to talk a little bit more about Mr. Tipton. Go ahead. I will give you a moment.

Governor ROSSELLÓ. Yes, we do have that relationship. We, of course, have differences on some points, but if you look at the results, where we were able to certify a fiscal plan, where we were able to pass a budget, where we were able to execute certain structural reforms across Puerto Rico at a record setting pace. I think that there is much more collaboration. And, of course, when there are differences, we will voice them, as happened yesterday. We had a difference. They thought they could do a takeover of the PREPA organization, the judge decided that they couldn't do it, and we moved on. And we are going to work together in other aspects, such as Title III——

Mr. LAMALFA. OK. I better keep moving here. How do you plan on continuing with the Oversight Board on key infrastructure once the funds are made available for infrastructure or rebuild and upgrade after the crisis. How do you think that relationship will be with the Oversight Board at that point?

Governor ROSSELLÓ. They have a revitalization officer for certain of the critical projects. It will be part of that discussion, as was established by PROMESA. So, I think it is a good conduit, Marrero, our P3 lead, and my infrastructure czar, Maria Palau, have been working with the revitalization officer previous to the storm, and we will continue doing it after the storm.

Mr. LAMALFA. Thank you, Governor. Because this Committee is very interested in that relationship being positive and, indeed, two-way. Taxpayers are demanding that accountability, so thank you.

Governor Mapp, quickly here. I am running out of time. One-third of the island's residents have applied for assistance and three-quarters of the population is still without power. How would you describe the efforts, though probably not fast enough, how would you describe the recovery efforts?

Governor MAPP. Progressing.

Mr. LAMALFA. Yes.

Governor MAPP. We want to pick up the pace on sheltering. That is really important. But progressing. Folks are getting energized. Businesses are opening every day. And I want to take the opportunity on the liquidity issue to say to my friend and thank the Congress, the 4.9 is for Puerto Rico and the Virgin Islands.

Governor ROSSELLÓ. And the Virgin Islands. That is right.

Mr. LAMALFA. OK. Do you think the U.S. funds will be well-handled?

Governor MAPP. Yes, we are working with the budget director and FEMA for the proper disbursements.

Mr. LAMALFA. Thank you.

Governor MAPP. Yes.

The CHAIRMAN. You had time just to say, yes.  
Mr. Gallego.

Mr. GALLEG. Governor Rosselló, I spoke during last week's hearing with Mayor Pérez of Guaynabo. Like you, he initially defended the Trump administration's response and the U.S. relief efforts. But as we discussed some comparisons to other U.S. relief responses, the mayor agreed more could have been done and faster.

If it had been, we might have prevented some of the deaths caused by this lack of basic medical supplies and other preventable causes.

Do you agree that the Federal response was inadequate?

Governor ROSSELLÓ. Well, there are certain cases. I have to say that every request that we made to the White House was answered. At the same time, there were a lot of challenges, and there were some things that I was very satisfied with, such as the DoD involvement in how they opened up roads, how they delivered food and services, and I was not satisfied with the level of urgency that the Corps of Engineers had for picking up the energy grid. As I reiterated, I signed a mission statement on September 30. We were told that they were going to start immediately, and that it would take 45 days. And more than 30 days afterwards, we only had seven crews from the Corps of Engineers.

However, I want to say that after a dialogue, after establishing a communication, all of the stakeholders are now meeting three times a day so that we can make sure that we get as many crews as possible to Puerto Rico to work in getting the energy grid back.

Mr. GALLEG. And how long did that take for you guys to establish that relationship?

Governor ROSSELLÓ. With the Corps of Engineers, it took a while.

Mr. GALLEG. What is a while?

Governor ROSSELLÓ. It started about 10 days ago.

Mr. GALLEG. OK. Why did it take so long?

Governor ROSSELLÓ. There was a PREPA component and a Corps of Engineers component that were working together.

Unfortunately, I did not see the movement of the crews coming to Puerto Rico. I was told that they were coming. Of course, they did not arrive. And then I placed the petition to many of you over here, so that we can stress the urgency. I mean, it is not acceptable in any place in the United States——

Mr. GALLEG. Did you stress this urgency not just to us but also to the Trump administration directly?

Governor ROSSELLÓ. Yes, sir.

Mr. GALLEG. What was the response?

Governor ROSSELLÓ. The response was that they were certainly going to talk, and they made some meetings within the White House.

Mr. GALLEG. And then you started 10 days ago. OK.

Governor ROSSELLÓ. And we started working.

Mr. GALLEG. All right. We are going to move on here.

I want you to think about this: in Haiti, the United States provided overnight to Haiti a military deployment of 8,000 men and women in 2 days after the earthquake hit.

After Maria hit, it was 5 days before the first Federal official arrived on the island, and more than 10 days before troops reached even a comparable level.

In Haiti, within 2 weeks of the disaster, we had 22,000 troops on-site. But in Puerto Rico, it took 2 weeks until we barely hit 9,000 military personnel on the island.

And right now, we have just been told, or it has been announced, that we are actually withdrawing our military support from Puerto Rico.

One, do you think the comparison is apt?

Governor ROSSELLÓ. No, because there are certain things that happened. First of all, we did not have access to ports or to airports. It took a while. So, while that was deploying and the military personnel were actually there, they just had to move because the storm was passing.

Number two, there was a specific mission for the military in Puerto Rico—

Mr. GALLEG. But there is a difference, right? An earthquake, you don't see. A storm, you see. We saw this coming and we actually were not ready to deploy.

Governor ROSSELLÓ. Well, actually, sir, that storm developed historically fast. It developed from a tropical storm to a Category 5 within 48 hours. They were already stationed outside. The path of the storm was very significant and robust, and they could not enter. They could not enter, whether it be by airport or by ports before that time constraint.

Mr. GALLEG. Well, clearly, you cannot enter until after the hurricane hits. But for us to say that it was an adequate response, as someone who has been in the military, I think it is just absurd. I was in the middle of the desert, and I could get reinforced and a Humvee could be landing in the middle of a desert. For some reason, we could not get personnel into Puerto Rico, an island that is part of our country, and we still cannot get response there fast enough. Compared also to Haiti, again, where you cannot predict an earthquake.

Do you actually think that the mission is accomplished right now and that the Defense Department was correct in pulling back our military personnel?

Governor ROSSELLÓ. The mission of the military was specific, which was opening roads, airlifting food and water.

Mr. GALLEG. Do you have enough airlift capability right now to reach the inner parts of Puerto Rico?

Governor ROSSELLÓ. Yes, actually.

Mr. GALLEG. Domestically, right now?

Governor ROSSELLÓ. Yes, we have more than what we need. We have more airlift capacity right now than the maximum that was used throughout the storm.

Mr. GALLEG. And in terms of emergency power generation, that is also being taken care of right now?

Governor ROSSELLÓ. In terms of the generators?

Mr. GALLEG. Yes.

Governor ROSSELLÓ. The generators were also slow in coming. And this was also something that I pointed to. It was slow in coming.

The CHAIRMAN. Thank you. I am going to insert myself now into the discussion, if I could, and take my time here. PREPA is a key element, not only to the original, immediate necessity, but also to the long-term recovery of Puerto Rico.

I don't want to talk about Whitefish. That is past history. But I do want to talk about the process of that, and also the decision on mutual aid.

What Puerto Rico needs for the citizens there is a collaborative approach between the four entities you have there. There is FEMA, you have your office, the territory or legislature, as well as the PROMESA board. None of those are going to go away. There needs to be a collaborative effort of all four working together for the sake of the people of Puerto Rico.

It may sound like I am going to be critical, but I am not really against you. It is actually just the opposite. I want you to get the money you are asking for. And the reason I am doing it is that I have seen both in Virgin Islands and in Puerto Rico, the devastation there firsthand.

I know that the need is there. I have seen the devastation with my own eyes. You don't have to convince me. But there are 535 other people up here that are going to be voting that you do have to convince. And one of the things I think we are walking into with this effort is a tremendous credibility gap based on Whitefish and other subsequent decisions that are going on there.

You are asking for an unprecedented \$94 billion. That is a lot of money. That is not going to happen unless people are willing to see some changes in the way cooperation is made and the way the money is going to be spent.

So, simply telling me that you have launched two investigations into your own administration is not sufficient. That does not give the confidence that we need going forward.

What we need to do is have a willingness to be working with, talking with the Oversight Board, not at them, and not against them, to resolve not only the short-term situation but also the long-term financial crisis. You need to be working with each other. You need to be coming up here arm in arm, not arm wrestling. There needs to be fewer lawsuits going on.

It is significant if we are going to receive that kind of money and aid, and I do believe it is needed, it is significant that there is one plan and one voice and everyone is coming together. It is important for the citizens of Puerto Rico that that has to take place. If we are going to build the kind of confidence to get that kind of an appropriation from the rest of Congress, there has to be the feeling that there is a unity that so far is lacking. It has to be built in some particular way.

Governor Mapp, can you just tell me how the mutual aid approach worked in the Virgin Islands, your satisfaction level with it?

Governor MAPP. Sure. Each year around April, the Water and Power Authority, and then on behalf of the central government, we put out bid proposals for linemen and support equipment and supplies for the reconstruction of the power system should we be subject to a disaster. We put bids out for clearing roads, for removing debris, for putting tarpaulins on. And we do that in concert

with collaborating with the Army Corps of Engineers and FEMA. So, those contracts, prices, everything are in place.

If there is no hurricane, there is no expenditure, and we just wait until the following year. Before hurricane season, we do it again. This year we had two hurricanes, so all we were required to do was pull those triggers and then start deploying, having linemen, supplies, and equipment, putting crews on the road to get the debris removed, get the roads cleared, and it just worked for us.

The CHAIRMAN. Thank you. I think we saw them from New York clearing some of the roads when we were down there.

Governor Rosselló, why did PREPA not go with mutual aid right away? Why did it take so long?

Governor ROSSELLÓ. PREPA did not go that route as they stated, because they had timing issues and money issues regarding it. There was an another alternative offered, which was the Corps of Engineers to implement it. They had stated a timeline, and that is why we executed. But I want to also answer—

The CHAIRMAN. Hindsight is really easy. If you were looking at that today, would you have made the same decision?

Governor ROSSELLÓ. If I had known the Corps was not going to execute immediately, of course. That is why I am doing it right now. That is why we are working on it right now. But listen, collaboration stems from everybody knowing what their role is, and we have known what our role is. We have been collaborating with the Board. This notion that we are not collaborating is not true. We are collaborating. Our teams are talking. We are sending information.

And with regards to suing or going to courts, I completely agree. It was the Board that actually took the action to take the government of Puerto Rico with the government of Puerto Rico's money to sue it so they can implement the CTO in PREPA.

The CHAIRMAN. Governor, I appreciate that. I am not going to ask you another question because I have 6 seconds left. There has to be an increase in that cooperation for the sake of Puerto Rico. It has to be increased.

Ms. Hanabusa.

Governor ROSSELLÓ. It cannot be at the expense of democratic rights, though, sir.

The CHAIRMAN. You went over the time limit to get that sucker in there.

Governor ROSSELLÓ. Just one thought. Just one thought.

The CHAIRMAN. You snuck it in there.

Ms. Hanabusa.

Ms. HANABUSA. Thank you, Mr. Chair.

Governor Rosselló, you provided us with this very nice booklet, and I just got to see it when I sat down. You are asking for \$94,399 billion and change. And you also have, on the next page, requested the amount by funding source. So, you have laid out for us where you want the funding to come from. For example: CDBG and EPA, and so forth.

Can you tell me, first of all, in these various categories, you heard the reference to the Stafford Act, so are these estimates to replacement value or what you would like to see it be?

Governor ROSSELLÓ. Only the 27 in PA, which is in the category, would be to the Stafford Act. Everything else would be in terms of the appropriations, and more flexible, of course.

Ms. HANABUSA. So, you are asking for the right, to the extent it has a construction value to it, that you want to build to a higher standard?

Governor ROSSELLÓ. We do want to build to a higher standard. That is correct.

Ms. HANABUSA. The other question that I have for you is that we also understand that when you request \$94 billion, \$94.4 billion, that what you are, of course, not expecting is that money comes in right away.

Governor ROSSELLÓ. Right.

Ms. HANABUSA. And, Congress has just appropriated, as we call it, supplemental and down payments, whatever you want to say. Have you actually calculated out how much of this money you need and what you can actually do?

In other words, you cannot do \$94 billion. You don't even have the roads in order to facilitate that. You don't have the construction power. So, how much of this do you need now?

Governor ROSSELLÓ. Right, so let me just define the process first. It was for us to get a damage assessment so that you in Congress can have a sense of the scale of the damage.

Texas did their own, USVI did their own, and Florida and others will do their own as well. It is up to Congress to determine how that gets distributed. Our main focus right now is making sure that you had as accurate assessments as possible, conservatively, based on the devastation with third-party validation.

I mean, I think this is important to state. We have gotten universities involved, we have gotten non-profits involved, organizations with high reputation names on the line, so that they can validate these numbers. But in terms of that, this is our initial report. We will certainly be reporting back to Congress.

Ms. HANABUSA. Governor, and also to Governor Mapp, I will be asking him the same question. Throughout your report and throughout the testimony that Governor Mapp submitted, you are always using the word resiliency, that you want to build resiliency. What does resilient mean and how did you put like four or five dots on resilient?

What is the resiliency that both of you are talking about?

Governor MAPP. Resilient means, after Hurricane Marilyn, we connected the hospitals and our airports completely underground. Resilient means putting much more of the main power trunks underground, protecting the generating systems, creating microgrids. Resilient means building smaller hospitals but building them so that they withstand the hurricane force winds so we don't have to put patients on mattresses in a hurricane and slide them down the steps.

Resiliency means taking schools, harden them and enclose them better so that, again, they can withstand the storms. And resiliency means strengthening the building codes so that home construction, commercial constructions are required in a way that they can withstand 185 mph winds.

Ms. HANABUSA. It sounds like the Stafford Act. But before I get to you Governor, Governor Mapp, you did not give us a figure.

Governor MAPP. Yes, \$7.5 billion.

Ms. HANABUSA. \$7.5 billion is your total resiliency?

Governor MAPP. That is correct. Resilience, reconstruction, mitigation. And I believe that we did distribute, and I am hopeful that my group did distribute, the presentation that details it all and how it is aligned to come up to that number.

Governor ROSSELLÓ. Resiliency means redundancy, so that if the projects can increase the redundancy of the system, if they can bounce back more effectively, if there is interdependence between other assets, and if it mitigates vulnerability toward the future.

That is the way we define resiliency within our structure, and that is how we scaled it and grade it.

Ms. HANABUSA. Thank you. Mr. Chair, I yield back.

The CHAIRMAN. Thank you.

Mr. Westerman, I apologize for jumping in front of you, but now that you have had that birthday and you are on the downhill side of your life, I didn't think you would actually matter. You are recognized.

Mr. WESTERMAN. Thank you, Mr. Chairman. The birthday is not actually until Saturday, so I have a few days of youth left.

Thank you, Chairman. Thank you to the governors for being here today. I know you have obviously have pressing issues back home.

Governor Rosselló, I just want to kind of get the timeline and the process squared away in my mind.

Hurricane Irma hit on September 4, took out 70 percent of your electrical grid. Fourteen days later on the September 20, Hurricane Maria hit.

In your preparation for the storms, what discussions did you or your office have with PREPA about their plans for rebuilding the electrical grid in the aftermath of the storms?

Governor ROSSELLÓ. After the first storm or the second storm?

Mr. WESTERMAN. Or even before the storms. Did you have any discussions about how to rebuild the grids?

Governor ROSSELLÓ. Certainly. We have an outline, we actually put it within the context of the fiscal plan as well, about how we were looking toward a better, more effective PREPA and a more resilient energy grid.

Of course, after the first storm, the effort was to restore the energy grid. PREPA was successful, we got from 25 percent, we were actually at 75 percent of energy. We got up to 97 percent within the span of 13 days. And then, of course, came Maria which was completely devastating in terms of the infrastructure.

That is when we also started to say, listen, we have a need, but we also have a set of opportunities to rebuild and replenish more effectively than in the past. And we just don't want that window to escape and have us just put back together the old grid again.

Mr. WESTERMAN. So, you had your electrical grid back to 97 percent?

Governor ROSSELLÓ. That is right.

Mr. WESTERMAN. OK. We understand that pursuant to Puerto Rican law, you did issue an Executive Order declaring a state of

emergency that allowed for exemptions for government contracting laws and regulations for entities hired for the emergency response.

How did the Puerto Rican government intend to exercise proper financial oversight of PREPA contracting in light of this order?

Governor ROSSELLÓ. PREPA is a public corporation, of course. It has its own guiding principles in terms of the emergency powers. I should state that it has ample emergency powers based on their structure and on their protocols.

What are we doing now? I have called for a procurement compliance officer so that we can establish what that procurement reform that we had proposed for the whole of Puerto Rico can get started, and can get started in PREPA, that we can get more transparency.

And, again, there are other components that are being thought of and considered, such as getting a panel of thought leaders in the process of transformation and modernization for Puerto Rico so that we can not only rebuild, but rebuild stronger.

Mr. WESTERMAN. And I believe you testified earlier that you did not really have any input in the hiring of Whitefish?

Governor ROSSELLÓ. Zero input. Let me make that very clear, zero input.

Mr. WESTERMAN. With the \$300 million dollar contract on the line affecting the power grid, which was a critical part of the infrastructure, am I correct in saying that your office had no knowledge of or involvement in the selection or approval of this critical contract?

Governor ROSSELLÓ. No, sir. Because the reason why public corporations have an independent governing board is so that these things can get done within those public corporations.

So, actually it would have been the opposite. It would have been inappropriate had the government sort of stepped in in that process. So, that is the state of play, it is a public corporation.

Mr. WESTERMAN. Is Whitefish still working there?

Governor ROSSELLÓ. Whitefish has canceled. There are, as I understand, some brigades, some jobs——

Mr. WESTERMAN. When will they leave?

Governor ROSSELLÓ. It depends. The cancellation ends, I think, at the end of November, but they subcontracted. And we are working with the mutual aid agreements. So, for example, Jacksonville Electric was subcontracted through Whitefish. And through mutual aid we are seeing if we can retain those.

Mr. WESTERMAN. When they leave how will Puerto Rico pick up the slack? What are the plans going forward?

Governor ROSSELLÓ. Based on precisely that. We are making sure that, Number one, we have ramped up. We asked the Corps of Engineers to ramp up the crews that were coming. They are doing so, or at least that is in the pipeline of being done. We are also working on mutual aid agreements with other corporations, such as Jacksonville, as well as others in New York, and so forth, so that we can increase the man hours in Puerto Rico, and we can achieve our goals.

The CHAIRMAN. Ms. Barragán.

Ms. BARRAGÁN. Thank you. Thank you, governors, for being here today.

Governor Rosselló, you mentioned earlier that there are some mayors that are saying don't send any more food and water.

Governor ROSSELLÓ. Yes.

Ms. BARRAGÁN. That means that there must be some mayors who are saying "send food and water." I would like to hear more about those parts of Puerto Rico that are suffering.

Governor ROSSELLÓ. Of course.

Ms. BARRAGÁN. Can you tell me about those parts where the mayors are asking for more food and water and what the situation is like there?

Governor ROSSELLÓ. Continuous, yes, of course, there are more vulnerable areas in Puerto Rico than others. Mostly but not limited to, the central region of Puerto Rico, which is the mountainous area. The southeast part of the island, which got hit the hardest. Those are essentially what we have identified between 12 and 15 critical municipalities that need aid. Adding to those, the two island municipalities, Vieques and Culebra, which need additional aid.

I can certainly, Congresswoman, send you a map of which ones those were. I mean, municipalities that were hardest hit or that have hardest limitations in getting access to food and water, but it is essentially mountainous areas such as Comero, Barranquitas, Orocovis, Utuado, which, of course, a group of you went to see.

But, in general, the rest of the response has been not doing so when there have been written requests to FEMA in that direction.

Ms. BARRAGÁN. OK. So, would you say that the disparity then is based on the condition of where the area lies and has nothing to do with income disparities.

Governor ROSSELLÓ. Income disparity in Puerto Rico is enormous. We have the largest Gini disparity coefficient in the Nation. And we have the lowest income per capita in the Nation. So, you go figure.

When you see a map of the distribution, you will see that the highest income is generally in the metropolitan area. Then, after that, if you go to the mountains and to the western part of the island, you are talking about a four times less income equality than the rest of the island.

There is a lot of poverty in Puerto Rico. I think one of you mentioned about the 47 percent poverty line in Puerto Rico. That means that essentially half of our population is under the poverty level.

And yes, there is a correlation because obviously those most vulnerable homes, those homes that were made out of wood that were not built to code and that were built in the mountains where the terrain was not as robust, felt the brunt.

Ms. BARRAGÁN. Right. What is being done now to try to get the adequate food and water to those areas, to those people that are in need?

Governor ROSSELLÓ. We have several mechanisms. Number one, of course, FEMA, with the National Guard, is distributing it directly to the mayors and to their distribution sites. Number two, we have non-profit agencies that are working, such as UNIDOS por Puerto Rico, Red Cross, and so forth, that are aiding in the delivery of that food. And that has continued at a high rate.

Ms. BARRAGÁN. Great. And is that going to be impacted at all by the pulling out that we just read of some of the Federal military?

Governor ROSSELLÓ. No. This is why I agreed to it. Right? I mean, I know that it might seem counterintuitive, but the truth of the matter is that most of the work that the military was doing was essentially opening roads and making sure they could do small engineering feats and airlifting.

They made sure that they left, or I made sure that they left, at least as many aircraft at this juncture for the highest date where they needed aircraft for Puerto Rico at any point. They really have opened a lot of the roads. So, unless their mission would have changed, their role was essentially——

Ms. BARRAGÁN. OK. The official number of deaths reported has been 55, but healthcare experts believe the real number is higher. What is the cause of these discrepancies?

Governor ROSSELLÓ. We have our State Coordinating Officer working with a strict protocol. We established not only direct links to the storm, but also indirectly to the storm.

So, for example, in our assessment there are suicides and other deaths that family members linked to the passing of the storm. What I can tell you is that it has been robust. Secretary Pesquera has a lot of credibility and has worked with the Federal Government for a while. He meets regularly with stakeholders in the hospitals, in the Forensics Institute, and all across the island to make sure that we can get a proper assessment of the death toll in Puerto Rico. And that is the number that we have right now.

Ms. BARRAGÁN. Great. Thank you. I yield back.

Governor ROSSELLÓ. Thank you.

The CHAIRMAN. Thank you. Votes will be called anywhere between the next 15 to 30 minutes. We will not be coming back after votes, so we are going to try to get as much in as we possibly can before that happens.

Mr. Labrador.

Mr. LABRADOR. Thank you, Mr. Chairman. And thank you, governors, for being here today. It is good to see you, Governor Rosselló. As we look at the long-term recovery of Puerto Rico and the Virgin Islands, we can begin to take steps to ensure that future avoidable problems do not materialize again. And that is what I want to talk a little bit about today.

One of the most urgent needs is the restoration of power on the island of Puerto Rico. Who is responsible for restoring the power in Puerto Rico?

Governor ROSSELLÓ. Right now? It is a collaboration between PREPA and the Corps of Engineers.

Mr. LABRADOR. OK. Who is coordinating that work amongst the various Federal agencies and the territorial and local agencies to ensure that the work is being done properly and adequately?

Governor ROSSELLÓ. We have a working group. PREPA is the lead, but we have PREPA, the Corps of Engineers, stakeholders from the mutual aid agreements and other experts, FEMA is working there, the National Guard, as well as my chief legal counsel. So, there are a lot of stakeholders meeting regularly.

Mr. LABRADOR. Is there one person who is in charge? Because I am hearing anecdotally that people feel like there is nobody in charge.

Governor ROSSELLÓ. No, this is very clear. I know that anecdotes surface in these circumstances, but the head of PREPA is leading the effort. The Corps of Engineers is facilitating—they had a mission assignment that they are following, and of course the rest of the collaborators are part of the effort.

Mr. LABRADOR. OK. As everybody in this room is aware, we passed PROMESA last year to help Puerto Rico recover from the fiscal crisis. The recent hurricanes obviously have made it a lot more complicated. Moving forward, the Oversight Board will continue to play a major role. I am going to ask you the same question that I asked Natalie Jaresko last week, the Executive Director of the Oversight Board. I asked her how she viewed the Board's role in the recovery efforts.

Governor, can you tell me how you view the Board's efforts in the recovery effort?

Governor ROSSELLÓ. I think they should keep on doing what they were meant to do, which was make sure that the budget gets balanced, make sure that they work on representing Puerto Rico in the Title III proceeding, and make sure that we get access to the open markets. Those are the main core components.

Again, I strongly oppose the notion that new administrative powers should be added. That goes against the process of self-governing and actually the process of the Board. If you really want this to be a sustainable effort for Puerto Rico moving forward, why would you put that power in somebody else's hands when there is an elected body for Puerto Rico? So, there will be collaboration, sir. We have always collaborated. Even after yesterday's decision where a judge rejected the notion—

Mr. LABRADOR. That was going to be my next question. What was the role now after yesterday's decision? It was rejected by the judge. I don't know if the Board is going to appeal or not. We will find out.

Governor ROSSELLÓ. I think it is pretty clear. Mr. Zamot is not the CTO of PREPA, but notwithstanding, my statements were in that direction. We want to collaborate on this effort. We want to make sure that we work together on Title III, as our team has been doing. We want to work on the fiscal plan revamp that needs to be done. We have our teams working and talking to each other. We want to give the information and the transparency that is necessary, but, again, there are very clear roles and the effectiveness of that collaboration stems from knowing what role you play.

Mr. LABRADOR. One concern that happens every time there are major disasters, and you can talk about what happened in Puerto Rico, the Virgin Islands, what happened in Louisiana a few years back, I mean, all these disasters there are always worries about fraud.

Governor ROSSELLÓ. Right.

Mr. LABRADOR. And waste. What is your administration doing to make sure that we don't encounter the same problems that we have encountered in every one of these disasters?

Governor ROSSELLÓ. Three things. Number one, we have created an office of recovery and rebuilding for Puerto Rico. Number two, we want to establish a platform, a portal, so that that information is readily available in terms of the processes, where the money is being spent, and so forth. And, Number three, we are open to controls. We are open to working with controls. We have already been talking to the White House. We have already been talking to OMB about this. But certainly it still needs to be a state-driven effort.

It was the elected government of Puerto Rico that has a policy design that has a proposal that they made to the people of Puerto Rico and that they need to follow suit and that we need to execute.

Mr. LABRADOR. Thank you very much. Great to see you.

Governor ROSSELLÓ. Likewise.

The CHAIRMAN. Mr. Soto.

Mr. SOTO. Thank you, Mr. Chairman, and welcome Governor Rossello, Rosselló, for everybody, since we have heard Rosselló and so many other things today, and Governor Mapp, thank you.

Governor ROSSELLÓ. I am used to that, by the way.

Mr. SOTO. That is OK, and I appreciate your politeness in that. We, in the Federal Government, have a very unique role with the territories because long ago before anybody here was ever born the United States in its infinite wisdom decided to conquer two sets of islands, and you still don't have U.S. Senators and don't have equal representation and so that puts us in a very unique role to have to help. I think we always have to keep that in mind as we are looking at the Federal Government's special relationship and special duty to both Puerto Rico and the Virgin Islands.

Just briefly to help out our Committee, since this seems to be the most emerging issue, is there anything we could be doing in Puerto Rico to help get the power back on more quickly from a Federal role?

Governor ROSSELLÓ. Well, just making sure that materials and people get to Puerto Rico. There is red tape, but I want to focus on solving some of that. Again, we are working on some of the mutual aid agreements. They have been taking more time than what we had hoped for. Similar with the Corps of Engineers, but you are observing this process, making sure you keep the pressure on and making sure that everybody that goes to Puerto Rico and their standard there is a sense of urgency to execute.

Mr. SOTO. Thank you, Governor. And, Governor Mapp, is there anything we could be doing on a Federal level to help out the Virgin Islands get the power back on quicker?

Governor MAPP. Yes, sir. And what that is is investing in making the power system stronger because at the end of the day it is on the ground, and you can only put it up 12 hours when the sunlight is there, but by putting power underground, by building microgrids, by having small aerial systems in the neighborhoods, that means that that system can withstand hurricanes, and if you could support that then the next time we won't be taking 3 months to get people energized.

Mr. SOTO. Thank you, Governor. We have expounded upon three principles that I think are essential, turning to the rebuild, which is one of the biggest things our Committee is going to have to do, resiliency, which we have heard over and over. We need to use this

crisis as an opportunity to let the Virgin Islands and Puerto Rico be a 21st century model for energy. I applaud that you all are also looking at renewables and have made big strides toward getting a much bigger makeup and reform. A big concern that we have is whether or not we should be breaking up PREPA to bid out regionally and potentially use that revenue to help rebuild, for instance, Puerto Rico while protecting collective bargaining. Is that something that is feasible in your mind, Governor?

Governor ROSSELLÓ. What is feasible again, I am sorry?

Mr. SOTO. Whether if we broke up PREPA, bid it out to different regions in the private sector, whether it be munis, IOUs, or co-operatives and used that revenue to help us rebuild this energy grid while protecting collective bargaining.

Governor ROSSELLÓ. We are certainly looking at alternatives to collaborate with the private sector. My objective is very simple, sir, and it is for us to have a resilient, cost effective, and sustainable energy system for Puerto Rico that is competitive. What that path looks like going forward, there are market forces that will define, and we need to see what they are.

But certainly we have a whole host of tools to evaluate those such as P3s that will allow us to dive in deeper and see which is the final mechanism.

Mr. SOTO. Thank you. And last, I wanted to talk briefly about Medicaid. I know there is Medicaid funding that both of you all are requesting. The match federally is way off, and this can affect how our recovery is happening. Can you both tell me briefly what we can do to help out Medicaid-wise with both Puerto Rico and the Virgin Islands?

Governor MAPP. I have \$226 million that is unspent from the original allotment under the ACA that has a fiscal cliff of September 2019. Let's get rid of the cliff. Let's waive the 45 percent Medicaid match for 3 fiscal years and use up that \$226 million, no new additional dollars from the Treasury for Medicaid going forward during the disaster.

Mr. SOTO. And Governor Rosselló.

Governor ROSSELLÓ. Give us 100 percent matching on the first 2 years after the storm. Give us at least 5 years where we can have the cap raised from \$350 million to \$1.6 billion, which was the average that we were spending. We are asking for sustained levels of funding. Right now it is a cliff. It would be a disaster upon a disaster.

Mr. SOTO. Thank you, and I yield back.

The CHAIRMAN. Thank you.

Mr. Denham.

Mr. DENHAM. Thank you, Mr. Chairman. Governor Mapp, Governor Rosselló, it is good to see both of you again. It was a real eye opener visiting both the U.S. Virgin Islands as well as Puerto Rico, and I want to thank both Representative Plaskett and Representative González for bringing us and showing us some of the different challenges that you are facing.

I tended to look at this also from the transportation infrastructure side of things, where we not only have bills dealing with FEMA, but also seeing firsthand some of the devastation with roads, with bridges, Governor Mapp, also seeing the issues that you

have with the post offices there. I mean, you just would not think of some of the challenges, we see some of the devastations with the buildings and certainly with the humanitarian effort, but if you cannot get mail, if you cannot get medicines, if you cannot conduct that piece of government, you cannot conduct business.

So, we are certainly working to address some of those issues. But specifically one of the things that we are going to be looking at under this next supplemental is building codes.

Let me start with Governor Mapp first. Certainly, we saw the devastation that Hugo created to building codes that were improved and you could certainly see the newer upgraded building codes versus those that received a lot more devastation than this. I know that you were in the process of upgrading to 2012 codes. I wanted to first ask you, where are you on that code upgrade as well as moving forward to brand-new codes?

Governor MAPP. We contracted AECOM to help us with all the assessments and they have the reputation in dealing with disaster areas and the engineers and what have you, and we did upgrade the codes and we saw the result of that in terms of more sustained buildings, but we are going strengthen them even more.

I have tasked them with the responsibility to help to look at our codes with our Department of Planning and Natural Resources and provide me a recommendation for strengthening the codes going forward, and I am going to be working with the legislature to get them implemented.

Mr. DENHAM. And enforced, as well, as we move forward.

Governor ROSSELLÓ. Yes, I agree. Puerto Rico has varied terrain and we need to make sure that the people that live anywhere are safe. We had floodplains. We certainly want to make people start leaving those floodplains. We want to make sure that wherever you build, you build up to code, so that your life will not be at stake.

Certainly, you can also see the differences in Puerto Rico after the certain hurricanes that we have had after Hugo, after George, there was better infrastructure. But I think we can take it a step further. There is composite technology out there that will help us as well rebuild better homes and so forth. We are committed to revamping that and to executing that and, of course, implementing it so that people are safer and that we can rebuild more resiliently.

Mr. DENHAM. Thank you. I look forward to working with you on building codes, and also as I expressed to both of your representatives, I look forward to coming back during the rebuild, and as we climbed up that ladder together and talked to those stranded U.S. citizens up there, I look forward to coming back and visiting after the bridge is fixed.

Governor MAPP. We look forward to having you.

Mr. DENHAM. I yield back.

The CHAIRMAN. Thank you. The gentleman from Virginia is recognized.

Mr. MCEACHIN. Thank you, Mr. Chairman. That is an inside Committee joke. Governor Mapp, I am going direct my questions to you, and I want you to take as much of my 5 minutes as you can. No offense to you, Governor Rosselló.

Governor ROSSELLÓ. None taken.

Mr. McEACHIN. I think Puerto Rico has had ample opportunity to demonstrate its needs and I am not sure that I have heard from the Virgin Islands. I have heard you talk about resiliency. I have heard you talk about how we can get your power up faster. I have heard you talk about Medicaid. I want you to take the balance of my time and share whatever else you think that we could be doing as the Federal Government better for the Virgin Islands.

Governor MAPP. Thank you so much for that opportunity. We have to take a look at Federal law and policy as they deal with the territories. The territories are filled with American children, American families that are managing their businesses, trying to manage their livelihoods, trying to grow and to prosper. And we are enacting laws simply because they are territories that are hurting these American citizens.

I have retired workers, private and public, all workers in the territory pay the same rate for Social Security and Medicare as every American citizen. But at a certain age, retirees must leave the Virgin Islands, buy homes on the U.S. mainland to access quality care because that care cannot be paid for in the Virgin Islands.

I have a rebasing fee schedule for two public hospitals that are on a TEFRA plan that should be in a community hospital plan. It is only 100,000 population. And what that means is that if I have a cancer patient that requires a certain chemotherapy, the cost of one dose of medicine is \$13,000, but under the TEFRA plan Medicare or Medicaid can only pay \$1,000 for that service, meaning the government, the Treasury must pay the \$12,000.

I have a system, and this does not require any check from the Treasury, this requires a change in law to make sure that we understand that parity for all American citizens whether on the mainland or in the territories are affected in a way that makes sense. The younger people in the Virgin Islands move on for education and opportunity to grow because they are limited in the Virgin Islands, and the seniors must leave because they have to access their health care.

The hospitals cannot maintain and do the things they need to do because they are subsidizing the costs of providing health care. As we get older, many of us need joint replacements. We cannot do them in Virgin Islands' hospitals because we are on a 1982 fee schedule on one hospital and a 1996 fee schedule on another hospital. So, all of that money and all of those patients must come to the U.S. mainland to get the kind of care that is required.

I would like to ask this Committee to look specifically at the issues relating to health care and change the policies and bring parity on health care across the Nation to the territories, as well.

Look at our requests for mitigating building resiliency and redundancy in our power systems because this is the fifth time the U.S. Government is paying for the reconstruction of the power system. And if you put it back just as it is, it is \$380 million. This is the fifth time.

So, let's invest the money to mitigate the system, make it stronger and more hardened. You can help us with resources of dollars, and you can help us with changes in policies that make the lives and opportunities of American citizens in the U.S. Virgin Islands as equal as it is on the U.S. mainland.

Mr. MCEACHIN. At your convenience, would you be nice enough to supply my office with the suggested policy changes that you are speaking of?

Governor MAPP. You will have it this afternoon.

Mr. MCEACHIN. All right. Thank you. I yield back, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Graves.

Mr. GRAVES. Thank you, Mr. Chairman.

Thank you both very much for being here. It is good to see you again. We also want to thank you for your hospitality and educating us when we went down to Puerto Rico and the Virgin Islands. It was a very informative trip, and I also want to apologize to both of you for everything that you have been going through, and your citizens. Having been through a number of disasters, it is awful what you are going through, and I know you often feel re-victimized by FEMA and their policies and bureaucracy, so we are continuing to work through that, and I know in the Transportation Committee we are going to be working on legislation in the coming weeks to help try to expedite and reform some of the recovery efforts.

I assure you in Louisiana, in addition to sending out the National Guard and our Homeland Security officials, we have been drinking more than our per capita share of rum trying to help lift your economy. And we are going to continue doing that just for you, so that is a key ingredient in our hurricanes down there.

Governor Rosselló, I want to ask a question. When I was down there, we had a number of conversations about PREPA and energy. As you well know, if the energy system had been a private system prior to the hurricane, this would be treated very differently than it is being treated right now, meaning that the private company largely would have been responsible for the restoration activities.

I think that one of the solutions that could be put forth is Puerto Rico and PREPA could put out an RFP to see if there is a private company that would like come in and take over the electrical grid, the energy generation, and, therefore, you are taking that off the Federal taxpayer liability. I am curious to your response to that.

Governor ROSELLÓ. My response to that, there are a whole host of different alternatives and alternative routes. What is important is the end game, right? What is the quality of energy that the people of Puerto Rico—how clean it is, how reliable it is and so forth.

I am committed to working on that path, and that is why, again, we have established, or the governing board of PREPA has established, another set of advisers from thought leaders from different areas to try to see which one of the different paths is better. Is it better to just go and privatize as you mentioned? Is it better to establish a path with regionalized—

Mr. GRAVES. Let me just distill down then. So, you are saying that that is an option that is on the table that is under consideration?

Governor ROSELLÓ. All options are on the table.

Mr. GRAVES. OK. All right. That is fair. Thank you. I saw that there was an announcement that was made or some type of discussion about the potential to suspend sales tax. Can you give me an

update on where that is and if that is something that is truly being considered right now?

Governor ROSSELLÓ. It is. Yes, we spoke about it a little bit before. It is a temporary suspension of the sales tax for small businesses in Puerto Rico. Small businesses, as you know, as you experienced in Louisiana, about 40 to 45 percent of small businesses after a devastation don't come back up. There was a cash-flow liquidity problem and liquidity need for the small businesses at the short-term, so we made a decision to temporarily suspend it from November 20 up until December 31. So, it has not even started, so that they could have that cash liquidity.

Mr. GRAVES. OK. I am going to go back and watch the video about the previous comments, but it just seems that if you are taking away a reliable recurring source of revenue noting the financial challenges, and I understand there is a balance with getting the economy back on its feet and having your businesses returned, but that brings me to my next question. I understand that some of the bondholders COFINA had offered up \$1.5 billion in interest free loans. Could you just quickly respond to as to why you thought that was not a good idea?

Governor ROSSELLÓ. That is not true. That has not been offered to us.

Mr. GRAVES. That has not been offered. OK. Somebody in the office handed me an article where that was offered, so I would like to share this with you because I just read the article.

Governor ROSSELLÓ. Of course.

Mr. GRAVES. I know we don't have much time left, but I want to ask you a really hard question.

Governor ROSSELLÓ. Can I mention something about the reliability?

Mr. GRAVES. I will tell you what, can we do it in an extension because I have 40 seconds left. Here is the tough question, Governor. Back when we were working on PROMESA, people were running ads against us in Louisiana saying don't bail out Puerto Rico. We had thousands of people calling our office saying don't bail them out. You all are asking for \$100 billion right now, and citizens of Puerto Rico, as you know, don't pay Federal income taxes. How do I respond to people at home quickly?

Governor ROSSELLÓ. They are U.S. citizens.

Mr. GRAVES. They are.

Governor ROSSELLÓ. Like your people at home. They have a devastation as your people at home did at one point, and what we are asking is this is not a choice, this is not a matter of the weird territorial arrangement that we have, it is a matter of equal rights, of equality between U.S. citizens and over here is a damage assessment. Congress will take the decision on how they work, but it should be equal treatment.

The CHAIRMAN. OK. We will have votes in a couple of minutes. I apologize. We will still go as far as we can.

Mr. Clay.

Mr. CLAY. Thank you so much, Mr. Chair, and thank you to the two governors for being here. I did not make a trip to either island, but I will be back because I know that your islands will be back, and as was stated earlier, it is our responsibility as a government

and a Congress to do all that we can to help these two island nations come back stronger than ever.

Let me ask a question of both of you. Governors Rosselló and Mapp, my question concerns adequate Federal funding for healthcare infrastructure. In Puerto Rico and the Virgin Islands, it is my understanding that, for example, Puerto Rico's Medicare Advantage Program is reimbursed at much lower rates than the entire Nation and even from other similar U.S. territories. For example, Puerto Rico's Medicare Advantage Program is reimbursed at a rate 26 percent less than the U.S. Virgin Islands, which is only 80 miles away from Puerto Rico.

In the instance of the Virgin Islands, we have already heard the DSH payments are much less and that you have Medicaid disparities. Starting with you, Governor Rosselló, then Governor Mapp, what should be done to correct these disparities in funding?

Governor ROSSELLO. Let me speak to this in two levels. First of all, I think it is no secret that my aim is for us to have equal treatment, and equal treatment means equal treatment on everything on the Federal front. But as a measure of emergency, we at least need to have, sir, sustained levels of funding.

Right now what is happening in Puerto Rico is that we are going to have a Medicaid cliff, and on top of the disaster we are going to be having about \$1.35 billion less for our system than what we had previously.

So, it is our petition, at least in the short-term, for us to have that \$350 million cap elevated to \$1.6, \$5 billion and for us to have 100 percent of the cost sharing for the first 2 years. Then afterwards, of course, aspirationally, and we will work hard on this. We want equality.

I will just say one last thing, every time that a U.S. citizen in Puerto Rico does not get equal treatment they take a flight, they take a plane, and they go to another jurisdiction where they do and where the per member per month is four times as much.

At any rate, the Federal Government is going to have to pay for this. It is whether you want us to do it over here or whether people are going to flock elsewhere to get the service.

Mr. CLAY. Governor Mapp, your recommendations on the disparities?

Governor MAPP. Thank you. In December 2016, a Congressional Task Force wrote a report to both the House and the Senate, and it dealt with the healthcare system. It talked about and made great emphasis on the issue of just bringing the territories to parity. That will drive significant dollars into the healthcare system. If the Virgin Islands was on the same match as a state with the same topography of population as the Virgin Islands, \$35 million to \$60 million more would enter the healthcare system in the Virgin Islands.

Mr. CLAY. Following my colleague Beyer's line of questioning about the schools in the Virgin Islands, it has been said that there is mold on the walls in the school, there is a lack of book supplies, a lack of other supplies, books and supplies, that you hold double sessions in schools?

Governor MAPP. Yes.

Mr. CLAY. What is double session?

Governor MAPP. Double session means the children other than being in school 6.5 to 7 hours a day, they are in school 4 hours a day. The children actually end up in classes at 7:00 a.m. and another set of children come in at 11:30 a.m., and then they are out at 4:00 p.m. And in some school plans there are three schools, and they are sharing the school plan. We really did do the mitigation to get rid of the mold to be able to use those buildings. Much of the resources were destroyed by the storms, and another issue we need is that our matching Federal education grant comes to us a year later. It follows the school year, yet we have to obligate it and spend it within 3 months of receipt of it.

Mr. CLAY. My time is expired.

The CHAIRMAN. Mr. Hice. I will let you all know there are 12 minutes left in this vote, so talk faster than you usually do.

Mr. HICE. I will try to be brief. Governor, on October 23, you passed an Executive Order which created in part the CRRO, the Central Recovery and Reconstruction Office. In fact, Mr. Chairman I have a copy of that. I ask unanimous consent for it to be added to the record.

The CHAIRMAN. OK.

Mr. HICE. Governor, I have been told that this bill actually failed in the House and the Senate before the Executive Order. Is that correct?

Governor ROSSELLÓ. What bill?

Mr. HICE. The one that created the CRRO.

Governor ROSSELLÓ. There was never a bill in the House or in the Senate. What happened, sir, was that the President of the House and Senate wanted some clarification. We made those clarifying statements within the Executive Order, and we proceeded forward.

Mr. HICE. So, there was no bill in the House?

Governor ROSSELLÓ. No, there was no House bill.

Mr. HICE. All right, but this is an Executive Order.

Governor ROSSELLO. That is an Executive Order. Correct.

Mr. HICE. From what I understand in this, in fact, page 5 here actually says, "The CRRO will carry out its purposes in such a way as to ensure the most efficient and effective use of the resources available for recovery and to minimize the duplication of recovery work between governmental entities."

In my estimation, what I am struggling with here, am I correct that the CRRO would be in charge of authorizing all the funds? How does that work?

Governor ROSSELLÓ. They would be in charge of making sure that there is compliance, that we can channel them all together, as you know, with different sets of storms in the past, a lot of the agencies have access to some of these funds, and a lot of the municipalities have access. What we want to do is, we want to channel them all together so that there is some logistical sense of what is going on, Number one, and, Number two, that we make sure that we comply with Federal comments and requests. And, Number three, based on that we have asked for more controls with the Federal Government, make sure that we have those controls in place.

Mr. HICE. How does this work with the Oversight Board?

Governor ROSSELLÓ. How does—

Mr. HICE. The CRRÓ versus the Oversight Board?

Governor ROSSELLÓ. Well, there is no versus. The Oversight Board has its role. Their role, again, as I have stipulated before is to make sure that the budget gets balanced, that we get access to the open market, and that they represent us in Title III proceedings. So, there is no real conflict then, of course.

Mr. HICE. It seems to me that the CRRÓ has a great deal of authority here, and my question is—I mean, here in Congress, we authorize the Oversight Board to do what it seems as though the CRRÓ was being asked to do, and I just want to know, can you assure us that the CRRÓ will be accountable to the Oversight Board?

Governor ROSSELLÓ. Why would it be accountable to the Oversight Board?

Mr. HICE. It has tons of money coming into it for one thing.

Governor ROSSELLÓ. Understood, but there is a—

Mr. HICE. Who has authority to spend that money? Is it the CRRÓ or the Oversight Board?

Governor ROSSELLÓ. The authority will be the government of Puerto Rico with the Federal Government controls that we are working on with the White House.

Mr. HICE. So, this is an entity that has no accountability whatsoever from Congress?

Governor ROSSELLÓ. Of course it will have accountability from Congress. We are asking for those controls, and we are asking for that accountability. What we are saying is that it should not be administered by the Oversight Board.

Mr. HICE. It seems to me that you are speaking around in circles here. Can the Oversight Board audit CRRÓ?

Governor ROSSELLÓ. Anybody will be able to audit. We will have the structure. What we will be doing is, we will be taking the administrative role in that effort with the controls that will be agreed upon with the OMB office.

Mr. HICE. The Oversight Board had no administrative control over the money?

Governor ROSSELLÓ. That is not the role, sir. That is not the role of the Oversight Board.

Mr. HICE. All right,

Governor ROSSELLÓ. The judge already said no yesterday.

Mr. HICE. OK, so the Oversight Board will have what authority over the CRRÓ?

Governor ROSSELLÓ. The Oversight Board has a role in Puerto Rico, which is to make sure that the budget is balanced, to make sure that the work that is being done to represent Puerto Rico in Title III proceedings with the bondholders carries through, which is very important, and to make sure we get access to the open markets.

It does not have a direct administrative role over this, but let me just state this, we are looking to collaborate with all of the stakeholders in Puerto Rico in all of those efforts.

Mr. HICE. I am still somewhat confused. I know the time is up, but I look at \$90 billion, \$100 billion that you are asking for and also look at the Mars One mission for 16 years putting a colony on Mars is the same amount of money.

The CHAIRMAN. Time is expired.

Governor ROSSELLÓ. Sir, suggest controls, but don't do it in spite of \_\_\_\_

The CHAIRMAN. I'm sorry everybody, time is expired. You have to go on with this. We have 6 minutes and 55 seconds left to do it. Some of you are not voting. I am going to turn the chair over to Miss González. Rules say the Committee members have to speak first, then anyone else has the chance to speak after that. Still 5 minutes.

I am sorry I had to be so draconian, I am an old school teacher, so I am used to cutting things off in the middle of comments, but we are trying to get everybody in there, so we appreciate you all coming here.

The end result is, you will have that final statement to make, but I will turn it over to her as we are going to have to leave for the votes. Those Members who would like to stay here, though, still have the opportunity. Miss González will finish off this particular hearing.

I am giving you my personal thanks for actually being here for that, and with that I am going to have to leave and turn the chair over to Miss González. Mrs. Radewagen, you are recognized now, though.

Mrs. RADEWAGEN. Thank you, Chairman Bishop and Ranking Member Grijalva for holding this hearing today, and I want to thank Governors Rosselló and Mapp for traveling all the way to Washington to give your testimony.

I also want to acknowledge my friend and colleague Congresswoman González-Colón as well as Congresswoman Plaskett.

I want to once again extend my condolences to the victims of the recent hurricanes, and I sincerely hope the results of today's hearing will help move the recovery process along more quickly.

While Irma and Maria were two of the worst hurricanes in recent history, the fact remains that the insular territories are no strangers to natural disasters. Hurricanes, earthquakes, tsunamis, and other disasters are an unfortunate part of the natural order of living on an island; therefore, it is imperative that we do all we can to prepare for them in advance.

The insular territories are particularly susceptible as they are isolated from receiving help from the rest of the country and often suffer more damage from disasters based on their relative size. We will do everything we can to help Puerto Rico and the Virgin Islands get back on their feet. We cannot stop there. We need to strengthen infrastructure and foster stability in all the territories before the next disaster. Mother Nature will strike again whether we are ready or not.

I had a question for Governor Mapp with regard to Medicaid and I think you touched on it a little earlier, but the point I want to make is that both American Samoa and the Virgin Islands have had trouble spending down Medicaid funds granted under the Affordable Care Act, and will you be needing an extension to these funds when they expire in 2019?

Governor MAPP. We don't want them to expire in 2019, and we are asking the Congress to get rid of the fiscal cliff, the expiration, but also to waive the Medicaid match over 3 fiscal years and then

allow us to use that \$226 million to cover so many folks that really qualify for Medicaid but are limited because of that 45 percent match. And we have to put that within the budget confines.

Mrs. RADEWAGEN. Yes, so it is a very similar situation in my home district of American Samoa. Finally, the main point I want to make today is that we in the territories have all the same issues and we have been working together, filing the same bills, we support each other, and as both Governor Rosselló and Mapp have already stated, it is critical that the territories receive treatment equitable to that of the mainland. Thank you.

Governor MAPP. And if I may, I just want to add to your question, Madam Congresswoman, that the waiver of the match will not be new. The waiver of the match happened in Louisiana, and I believe it happened in other state jurisdictions during disasters, and so we are asking for that because it gives relief to the general fund of the Treasury that we are dealing with the issues of liquidity even before the disasters and now with the authorization for the special community disaster loans it makes little sense to give money and then we are drawing it down under the same imbalance of the share of the Medicaid match.

Mrs. RADEWAGEN. Yes. Thank you, Governor. Governor Rosselló, please feel free to comment.

Governor ROSELLÓ. I agree, Madam Congresswoman. We need to have equal treatment. Our U.S. citizens suffer through the same problems, need the same resources to work together, and health care certainly is one of our prime objectives. I think we can do a lot now to start to mitigate that, but toward a future, I will put it in the context of something that happened a couple of days ago. We celebrated Veteran's Day a couple of days ago, and we have probably one of the highest per capita of veterans in the Nation in Puerto Rico, yet those veterans cannot get the same access to resources as other veterans that live within the United States.

It is a profound question that still has not been answered, and what we hope is that, within this process, we can get started recognizing that U.S. citizens and all of our islands and territories should be treated equally and we should move forward in that direction.

Mrs. RADEWAGEN. Thank you, Governor. Madam Chairwoman, I yield back.

Miss GONZÁLEZ-COLÓN [presiding]. Thank you, Mrs. Radewagen. Right now, I will recognize my friend and sister from the U.S. Virgin Islands, Stacey Plaskett, for 5 minutes.

Ms. PLASKETT. Thank you, Madam Chairwoman. I think that our governors who are testifying here have been outstanding in presenting the case for the people of those territories, but I would really love to address the gentleman, my colleague from California, Congressman McClinton, who discussed the responsibility of the territories in the management of their funding.

And what I think is unfair is him not being here right now to express the responsibility that Congress has to the territories in doing what they are supposed to do in terms of funding to the territory. You are expecting us to act in a manner that Congress does not act itself, and that is irresponsibility on our part. To even

put that kind of information out there as though we have been acting inappropriately with the funding that we receive.

There is no more mismanagement in the territories than there is in Detroit, New York, Florida, or any other place in this country, but the fact that the territories receive about 14 percent of their general fund from Federal dollars while most of the states receive between 27 and 42 percent of their general fund from Federal dollars is an irresponsibility on the part of Congress, which as a strict constructionist myself of the Constitution, is the responsibility constitutionally of this Congress, and my colleagues who call and claim to be strict constructionists should recognize that, as well.

One of the things that I wanted to talk about with respect to that is something that Governor Mapp spoke about, the TEFRA rebasing. My understanding is that \$10 million a year is lost to the territories because of the TEFRA rebasing, and that is based, Governor Mapp, on your letter to this Congress and to others with respect to that.

The DSH, of course, which we do not receive, not that we receive less, also has several million dollars a year that we don't get. Medicaid accounts for approximately \$22 million that does not go to the territory. The earned income tax credit, which we do not receive the reimbursement for, is another \$20 million a year, and the child tax credit is \$7 million per year that goes out of the coffers of the general fund of the territories.

With all of those things in place, and, Governor Mapp, you spoke about receiving equitable treatment, Governor Rosselló, you talked about having equitable treatment, we are asking for a 100 percent waiver of Medicaid, the same that has been given to other locations after the hurricanes and the devastation they have received. I know that we are asking for cost share waivers as well, the same as were given to Louisiana and other places after their devastation, and that would account for the cost share for C through G of FEMA that are the most expensive for the permanent repairs, and that is something that I know that you need.

Governor Mapp, you discuss the rapid repair, which because FEMA has not made a determination to increase the cost with the higher cost of building, will no longer be rapid in repairing the roofs in the Virgin Islands. Can you express to the people how devastating that is to homeowners in the territories?

Governor MAPP. Thank you so much, Delegate Plaskett, and thank you for your leadership and your work as we go through the recovery and all that you are doing for the Virgin Islands and the people of the Virgin Islands.

The rapid repair is to help shelter people in place. It is cheaper than importing a house or a mobile home or building homes to put folks in. You fix the home of the person that is there. And the template is about \$20,000 on the U.S. mainland, and the houses are pretty much the same model, and they run in blocks down the same street and the same avenues.

In the U.S. Virgin Islands, that is not the case. And the cost of living in the U.S. Virgin Islands is nowhere near the cost of living on the U.S. mainland. And the Federal Government recognizes that, because every time a Federal employee is transferred to work

in the U.S. Virgin Islands, the U.S. Government pays them a 34 percent COLA on their wages so that they can exist in the Virgin Islands as if they are on the U.S. mainland.

So, the \$20,000 set aside for the rapid repair of the average cost per home will not work in the Virgin Islands, and Virgin Islands law does not allow the government of the Virgin Islands or me to enter into a contract where there are insufficient dollars to complete the task of the contract.

Ms. PLASKETT. So, quickly tell me how much would we need?

Governor MAPP. We are asking for up to \$50,000 as an average cost per home, and we have been able to establish that, and we are working with FEMA to have that approved as well as to remove the restrictions for taking debris away from properties after they fix the homes.

Ms. PLASKETT. Thank you. I yield back.

Miss GONZÁLEZ-COLÓN. Thank you to the Delegate from the U.S. Virgin Islands. Now I recognize myself for 5 minutes.

First of all, I want to thank both governors for being here the whole day because I know you were in the Senate during the morning, and I think the issues regarding the territories is the main reason we have been treated differently, and as Mrs. Radewagen just established and Ms. Plaskett, the treatment for the territories need to be equal as any other state.

In that regard, I have some questions. Not without saying, Congressman Serrano and myself filed bill H.R. 4251 to amend the Stafford Act that will provide for all the resources to have a more resilient and efficient energy system after the disaster, and that will promote to Puerto Rico, in our case, to rebuild instead of repair our power grid. And I do understand that bill will help us a lot. I know the Transportation Committee is doing the same thing in other regards.

Governor Rosselló, you have been critical of the Corps of Engineers in terms of their job. Can you explain to us if those efforts have improved in the last weeks, and why were you making those critiques?

Governor ROSSELLÓ. First of all, yes, they have improved. My critiques were very clear. We signed a mission agreement on September 30 under the distinct notification that the Corps of Engineers would come with the contractors quickly to Puerto Rico and put the energy grid back up within the next 45 days. Thirty some days after that, they had only seven crews in Puerto Rico compared to what PREPA had, which was 410 crews in Puerto Rico putting the grid back up.

So, I was not satisfied at that juncture. I voiced it. I asked for everybody's support, and recognizing that you cannot really do anything about the days that have passed, what were we going to do about things in the future? I asked for several things.

Number one, for FEMA to authorize mutual aid agreements, as well, so that we can get more crews in Puerto Rico.

Number two, for the Corps of Engineers to revamp and to re-double the efforts of getting more crews into Puerto Rico, because more crews in Puerto Rico with more materials means we are going to get the grid back up quicker.

Miss GONZÁLEZ-COLÓN. One of the issues when we visited both the U.S. Virgin Islands and our hometown is the issue with regard to Medicaid. How is the Medicaid aftermath in the island?

Governor ROSSELLÓ. How is the—I am sorry?

Miss GONZÁLEZ-COLÓN. The Medicaid aftermath in terms of how are we burning the money that has already been allocated?

Governor ROSSELLÓ. Well, of course, there have been some efforts over here with the SCHIP appropriations and so forth. But Puerto Rico, prior to that, was looking at a February 2018 fall out from the Medicaid cliff, and now assuming we get that authorization, we would be looking at about a year extension from that, as well.

But the truth of the matter is that we need to tackle this issue so that we don't have to be here picking every couple of months to see which vehicle gives a little bit more. We need to give the people of Puerto Rico, the people of the Virgin Islands, what they as U.S. citizens deserve so they can have an appropriate healthcare system.

Again, the ask is very simple. Give us 100 percent cost share as they did with Louisiana in the first 2 years. Elevate the cap to \$1.6 billion for sustained levels of funding within the past, and that will help us regain our system in Puerto Rico.

It is important to state that we are working on local reform, as well. We want to make the expenditures of those monies more effective. Fraud detection is a big critical component that we are working on in Puerto Rico, and a smarter system based on technology so we can identify and be more effective in our healthcare system.

Miss GONZÁLEZ-COLÓN. Thank you, Governor, and I think one of the issues is that all territories should be included in the tax reform and what I am asking this Committee to do in terms how the territories will survive after the new proposals of the tax reform. All territories have different issues, and Puerto Rico is one of them. How are you going to treat the territories as a foreign country and then impose those taxes to our companies after two of these major hurricanes.

I just have 8 seconds, and I want to finish this hearing by thanking both of you for your leadership on both storms. You both have been leading the islands efforts for this catastrophe, same thing with Stacey Plaskett and the rest of the Members that have been visiting the island during the last 55 days.

Having said that, I want to recognize also former governors that are here today also, Governor Pedro Rosselló, Governor Aníbal Acevedo Vilá, and members from the Puerto Rico House of Representatives, if they are still here, as former Ambassador, U.S. Ambassador Mari Carmen Aponte.

The members of the Committee may have some additional questions for the witnesses, and we will ask you to respond to these in writing.

Under Committee Rule 3(o), members of the Committee must submit witness questions within 3 business days following the hearing by 5:00 p.m.

The hearing record will be held open for 10 business days for those responses.

If there is no other business with the Committee, without objection this Committee stands adjourned.

[Whereupon, at 4:58 p.m., the Committee was adjourned.]

[ADDITIONAL MATERIALS SUBMITTED FOR THE RECORD]

PREPARED STATEMENT OF THE HON. MIKE JOHNSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA

Thank you Mr. Chairman, and thank you to Governors Rosselló and Mapp for making time to come up to DC to share your testimony with this Committee. I am sure that there is a litany of other priorities on the top of the lists that you would like to be tackling rather than being here, but I am sure you can appreciate the importance of ensuring that there is an appropriate level of oversight during this critical time in Puerto Rico and the U.S. Virgin Islands recovery.

Last month, I made the very difficult decision to vote against the \$36.5 billion disaster relief measure, and I did so because I had very serious concerns about insufficient oversight of federally appropriated funds for emergency purposes. In recent months, the OIG has highlighted too many instances where funds were misappropriated, mismanaged, and ultimately did not serve the purpose they were intended for. Even more alarming is the fact that the audits revealing this mismanagement did not occur until years after the funds were authorized.

This is an issue for numerous reasons. For example, the needs of the communities the funds were intended to help did not fulfill their purpose. All of the good the funds are intended for are shouldered by hardworking taxpayers, many of which live paycheck to paycheck. Untold millions of dollars have been allocated for disaster relief without the proper oversight. This is truly a travesty for everyone.

The recovery in Puerto Rico and the U.S. Virgin Islands is slow going and each day that passes, the toll to the communities and the costs associated with the recovery continue to grow. The recovery effort in Puerto Rico in particular is mired with what appears to be a territory at war with itself and a scandal that has captivated a Nation—I am referring to the Whitefish contract, of course.

Governor Rosselló, in your written testimony, you advocate for the need to reform the Stafford Act, highlighting that you believe the bedrock of FEMA's successes and failures are, ". . . driven by the assumption that the state level government dealing with a disaster will have functioning computers, telephones, and workforce that can navigate these obstacles."

You go on to imply that the fault falls on the Federal Government's supposed failure to anticipate such a massive disaster to the United States or its territories and prepare accordingly. You claim, on multiple occasions, that natural disasters like that suffered by the people of Louisiana in August of 2005 are in fact **NORMAL** and do not reach the same level of crisis as that of Puerto Rico.

Sir, I must inform you that you are simply wrong and your testimony has glaring holes in the facts. I am especially concerned that your testimony focuses on Baton Rouge, but not the remainder of the state. Much of the devastation that was felt was in New Orleans and the ramifications are still being felt today in parts of the community.

Given what appears to be a severe misunderstanding of how natural disasters have impacted the states in the past, I am going to take this opportunity to educate you on the realities faced by my home state following Katrina.

- Katrina is amongst the five deadliest hurricanes in the history of the United States
- Until Hurricane Harvey, Katrina was the costliest hurricane
- 1,833 lives were lost—**1,577 were lost in Louisiana alone**
- Nearly 900,000 people lost power
- Between 70 percent and 80 percent of homes were damaged in St. Bernard Parish, St. Tammany Parish and Plaquemines Parish
- 300,000 homes were destroyed or rendered uninhabitable in the city of New Orleans
- Katrina and Rita, combined, destroyed 217 square miles of Louisiana coastal wetlands
- In addition to requesting State and Federal assistance, the people of Louisiana organized and helped one another during the immediate crisis and the years that ensued—Cajun Navy.

What happened and is continuing to happen in Puerto Rico is a tragedy. I find it even more devastating that you seem intent to pit tragedy against tragedy and finger point at everyone other than your administration for the resulting situation the people of Puerto Rico find themselves in.

Your administration appears to have had next to zero levels of preparedness to fulfill even the basic needs to coordinate with FEMA and restore Puerto Rico to what was, quite frankly subpar operations to begin with. What is lacking in your testimony appears to be any responsibility.

I do expect to see more of a proactive response from you moving forward. At times like this, it is imperative that those in a position to make a positive impact focus on helping the community, not try to stymie progress or be divisive or place blame. I was very disappointed to read your testimony and hope to see more from you in the future. Our fellow Americans are depending on you to do better.

Following Katrina, Louisiana reflected upon what needed to be done to improve upon emergency responsiveness in order to prevent similar tragedies in the future. I sincerely hope you will take the time to do the same.

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[LIST OF DOCUMENTS SUBMITTED FOR THE RECORD RETAINED IN THE COMMITTEE'S OFFICIAL FILES]

**Rep. Hice Submission**

- Government of Puerto Rico Administrative Bulletin No. OE-2017-65, dated October 23, 2017.

**Rep. Plaskett Submissions**

- Letter addressed to Ms. Tara Carter, U.S. Government Accountability Office, from Hon. Kenneth Mapp, Governor of the U.S. Virgin Islands, dated August 15, 2017.
- Letter addressed to President Donald Trump from Hon. Kenneth Mapp, Governor of the U.S. Virgin Islands, dated November 8, 2017.

**Gov. Mapp Submissions**

- Government of the U.S. Virgin Islands, Summary of Preliminary Damage Assessments for Task Orders 001 thru 004, dated November 13, 2017.
- Chart of U.S. Virgin Islands, Hurricane Recovery Funding Request Summary.
- Government of the U.S. Virgin Islands, Request for Disaster Recovery Support, November 2017.
- U.S. Virgin Islands Draft Estimates, CDL—Disaster-Related Revenue Losses, dated November 7, 2017.
- Government of the U.S. Virgin Islands, Hurricane Recovery Funding Request, November 2017.
- Letter addressed to Chairman Rob Bishop from Hon. Kenneth Mapp, Governor of the U.S. Virgin Islands, responding to comments made by Rep. Tom McClintock during the Committee on Natural Resources hearing on November 14, 2017, dated November 20, 2017.

